

DETERMINANTS OF BOARD PROCESSES: TRUST IN THE BOARDROOM

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Abstract:

As a response to recent calls for further insights into the factors that trigger board processes, this research investigated the determinants of trust in the boardroom. Following a review of existing literature on boards, a model explicating the hypothesised relationships between trust and its determinants (cognitive conflict, communication efficacy, the perception of board members' competence, affective conflict, and familiarity), and the moderating effects of board meeting frequency and board tenure, was developed. This model was tested using responses from 97 UK companies. There were two significant findings: the perception of board members' competence was positively related to trust, whereas affective conflict was negatively related to trust. Previous research has suggested that trust is an important determinant of board effectiveness, and this study contributes to the further understanding of what conditions in the boardroom facilitate or hinder the presence of trust. Thus, this research presents further knowledge on board processes and how they relate to each other. In terms of implications for practice, the research showed why boards of directors should engage in activities such as training and development that increase directors' perception of each others' competencies and why emotional conflict in the boardroom should be managed.

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CHAPTER 1

INTRODUCTION

1.1 Background to the Research Project

Corporate scandals across the globe have triggered the interest by scholars and practitioners on the topic of corporate governance and especially the role of boards of directors. The causes of these scandals have commonly been attributed to excessive risk taking, lack of transparency in decision-making, and the inadequate oversight of corporate executives (Isaksson and Kirkpatrick, 2009; Hsu and Wu, 2014), and subsequently public trust towards executive directors of organisations has dwindled (Migliore and DeClouette, 2011; Pistone, 2010). To prevent scandals from re-occurring, corporate governance legislations and guidelines were put in place to enforce tighter accountability of directors, and stimulate improvements in board practices. These included, amongst others are greater reporting and disclosures requirements, separation of roles of the Chair and CEO, the inclusion of outside, independent directors on boards, and changes to directors' pay and compensation (Damianides, 2005; Finkelstein and Mooney, 2003; Raiborn and Schorg, 2004). These soft and hard laws relating to improved governance and board practices are strongly influenced by mainstream academic research, often based on agency theory (Barnhart et al., 1994; Dahya and McConnell, 2005; Dalton et al., 1998; Dalton et al., 1999 Dalton and Dalton, 2011; Johnson et al., 1996, 2004; Zattoni and Cuomo, 2010). Although there are alternative corporate governance theories such as stewardship, resource dependence, and stakeholder theories, their focus has also tended to be on the 'usual suspects' of board structure and composition (Finkelstein and Mooney, 2003), and how varying such board characteristics can lead to different performance outcomes (Daily et al., 2003; Huse, 2005; Pye and Pettigrew, 2005; Roberts et al., 2005).

Yet, after decades of research, the relationship between board characteristics, especially the 'usual suspects', and firm performance remains elusive (Barnhart et al., 1994; Dalton et al., 1998; Dalton et al., 1999 Dalton and Dalton, 2011; Finkelstein and Mooney,

2003; Johnson et al., 1996). Johnson et al. (1996) compared the search for the link between board characteristics and firm performance to the search for the mystical unicorn and concluded that “...there can be two general rationales for our failure to “discover” this legendary species. First, this animal simply does not exist. Second, we have not searched in the right place, at the right time, with the right equipment.” (p. 433). In a similar vein, other scholars have argued that the inconclusive results are because this stream of research has treated boards akin to a ‘black box’ and failed to examine what is actually happening inside the boardroom (Huse, 1998, 2007; Pettigrew, 1992; Pettigrew and McNulty, 1995). In the pursuit of parsimony, agency and other mainstream governance scholars have tended to infer board behaviours from structural and compositional proxies using archival data, and have failed to consider social psychological factors that influence actual board behaviour and processes (see Pettigrew and McNulty, 1995; Huse, 1998; Forbes and Milliken, 1999; McNulty and Pettigrew, 1999; Westphal, Seidel and Stewart, 2001).

Due to these limitations, more recent research in corporate governance has increasingly moved away from the traditional board structure/ composition and performance studies towards behavioural perspectives on boards (Forbes and Milliken, 1999; Hambrick, v.Werder and Zajac, 2008; Huse, 2007; Huse, Hoskisson, Zattoni and Vigano, 2011). Broadly speaking, these behavioural studies are different to the conventional board research in two main areas. First, behavioural studies draw on a wider range of theoretical perspectives (and associated concepts) in order to capture and explain socio-psychological processes that occur in the boardroom (Westphal and Zajac, 2013). Second, in order to capture the complexity of actual board processes and interactions, behavioural board scholars have eschewed traditional archival research methods and instead favoured approaches that brought them close to the phenomenon under investigation, including surveys of board members (Zona and Zattoni, 2007; Minichilli et al., 2009, 2012; Ong and Wang, 2005; Huse, 2007); participant and non-participant observation studies (Huse and Zattoni, 2008; Machold and Farquhar, 2013; Pugliese et al., 2015), interviews (Bailey and

Peck, 2013; Pye, 2001), and case study research (Veronesi and Keasey, 2012; Maitlis, 2004; Parker, 2007, 2008). This research and its contributions to academic knowledge on boards are situated within this behavioural stream of research in corporate governance.

One of the contributions of the behavioural board literature has been to develop and test more complex and sophisticated models that explain board effectiveness. Following the work of Forbes and Milliken (1999) and Huse (2005) and drawing extensively on input-process-output (IPO) models developed in small team research (Ilgen et al., 2005), researchers found that board processes mediate the relationship between board characteristics and board and/or firm performance outcomes, and that such processes are generally better predictors of performance than the 'usual suspects' (Finkelstein and Mooney, 2003; Hendry, 2010; Machold et al., 2011; Minichilli et al., 2012; Zona and Zattoni, 2007; Zattoni et al., 2015). Despite our increasing knowledge of board processes, a number of gaps remain. First, by and large, researchers have leaned on the original Forbes and Milliken (1999) model. This led to a stronger emphasis on cognitive processes and fewer studies on affective dimensions of board interactions (Bankewitz, 2016; Brundin and Nordqvist, 2008). Second, the IPO approach views board processes as mediators between board compositional characteristics and board/ firm outcomes, and assumes that these processes work 'side by side' (Forbes and Milliken, 1999). Findings from the small team literature, however, show that such relationships are much more complex and that processes themselves are interlinked (Colquitt et al., 2007; Jehn et al., 2001, 2008; Mayer et al., 1999; Parayitam and Dooley, 2007, 2009). For this reason, there has been a call for research on the antecedents or determinants of board processes that go beyond consideration of board structural characteristics (e.g. Farquhar, 2011; Huse, 2005; Minichilli et al., 2009; Pye and Pettigrew, 2005; Roberts et al., 2005).

This thesis seeks to add to knowledge on behavioural perspectives on board by investigating the determinants of trust in the boardroom. The next section will explain in more detail the reasons behind the focus of the study and the contribution it makes.

1.2 The Rationale for Studying Determinants of Trust and the Contribution to Knowledge

The behavioural literature on boards places great emphasis on the human side of corporate governance, and the social-psychological processes and interactions between directors that shape how they make decisions and perform their tasks (Westphal and Zajac, 2013; Huse, 2007). In this context, several scholars have emphasised the importance of trust between board members as an underlying condition that enables directors to negotiate their domains of responsibility, share knowledge and work towards a common goal (Huse, 2007; Stiles and Taylor, 2001; van Ees et al. 2009). Put differently, trust in the boardroom is seen to be important because of how it shapes relational norms and board dynamics.

Defining what is meant by trust is, however, not straightforward. Originally developed by sociologists (cf. Blau, 1964) and later applied as a construct within the organisational behaviour and small team literature (Gambetta, 1988; Kee and Knox, 1970; Mayer et al., 1995), there has been a great proliferation of studies that have extended and refined the concept. A more detailed discussion of this literature and the concept will be presented in chapter 3, but in essence, this thesis will consider trust as a multi-dimensional concept including both cognitive and affective dimensions (Gillespie and Mann, 2004; McAllister, 1995). Further, following Hosmer (1995), trust is essentially a relational concept, and in this thesis, the focus will be on relations between board members, that is trust within the board, as opposed to trust between other internal and/or external stakeholders (Huse, 2007).

There are three main reasons why this research has chosen to investigate trust in the boardroom and focus specifically on the determinants of trust. First, in the behavioural approach, boards are seen to be similar to teams and work groups in that they are a social system that performs one or more tasks within an organisational context (Bettenhausen, 1991; Forbes and Milliken, 1999). Boards face complex, multifaceted tasks that involve strategic issue processing (Forbes and Milliken, 1999; Stiles and Taylor, 2001). In order to

gain a better understanding of how board task performance is achieved, board processes such as cognitive conflict (Zona and Zattoni, 2007; Minichilli et al., 2009, 2012; Wan and Ong, 2005), use of knowledge and skills (Bankewitz, 2016; Khanna et al., 2014; Kor and Sundaramurthy, 2009; Minichilli et al., 2012; McDonald et al., 2008), and effort norms (Gabrielsson et al., 2007; Zona and Zattoni, 2007; Wan and Ong, 2005; van Ees et al., 2008) have been extensively researched. Yet, despite scholars having highlighted the importance of trust to board functioning, there are only a few empirical studies of the phenomenon in the boardroom (Van Ees et al., 2008; 2009a; Huse and Zattoni, 2008; Farquhar, 2011). Clearly, it is an underexplored topic in board research and thus warrants further investigation.

The second reason for focusing on trust as a boardroom process is related to the conceptualisation of trust as having both cognitive and affective dimensions (Huse and Zattoni, 2008; Gillespie and Mann, 2004). To date, the majority of board behavioural studies have tended to emphasise cognitive processes rather than affective ones (Bankewitz, 2016; Brundin and Nordqvist, 2004; Walker et al., 2015), yet team interactions are complex and multi-sided (Butler, 1999; Huse, 2007). Thus, the exploration of a concept that combines both rational and emotive dimensions has the potential to bring us closer to understanding actual board behaviours and inter-relational dynamics between board members (Migliore and DeClouette, 2011).

Third, as noted above, much of the behavioural literature has followed an IPO approach seeking to understand board processes as mediators between board characteristics and board/firm performance. We lack knowledge on the determinants of board processes other than board structural and compositional characteristics. As the small team literature indicates, far from being atomised, processes are related and may serve as triggers for each other (Jehn et al., 2001; Parayitam and Dooley, 2007, 2009). Hence, this research will focus specifically on the determinants of trust in the boardroom. Following Stiles and Taylor (2001), boards of directors are an especially interesting setting to

investigate how trust develops given the complexity, fluidity and ambiguities under which board members interact, shape their roles and reach decisions.

There are also practical reasons for choosing to study trust in this research. A recent report by the Rock Centre for Corporate Governance at Stanford University and The Miles Group (TMG) highlighted continued concerns by directors over underlying boardroom dynamics and especially raised concerns that levels of trust are not sufficiently high for boards to perform effectively (Larcker et al., 2016). Stephen Miles, the CEO of TMG noted that “There is clearly sub-optimization happening in boards and it has an impact on trust as well as overall board effectiveness.” (Larcker et al., 2016, p.1). A better understanding of what triggers or suppresses relational norms such as trust is, therefore, important in improving board effectiveness. Many of the recent reforms in corporate governance as reflected in corporate governance codes have focused on strengthening the control role of boards. For example, codes emphasise the importance of board independence and are recommending separate leadership structures, the appointment of independent non-executive directors, and limits to the tenure of non-executive directors (cf. FRC, UK Corporate Governance Code, 2016). Whilst this has undoubtedly helped strengthen the monitoring and control aspects, many academic and practitioner reports continue to highlight that it is engagement in strategic tasks that has the highest impact on boards’ ability to add value (Pugliese et al., 2009; Bhagat et al., 2013). A recent survey by McKinsey distinguished between 3 types of boards – ineffective, complacent and striving boards. Within the highest performing boards, striving boards, directors also reported a culture of trust and respect (Kehoe et al., 2016). Greater understanding of what triggers such a boardroom culture and atmosphere is, therefore, crucial in developing boards’ strategic task performance. In sum, an investigation of the determinants of trust opens possibilities to also develop guidelines for practitioners to improve boardroom culture and effectiveness.

Following the above, this research seeks to contribute to knowledge on behavioural dimensions of the board by investigating the determinants of trust in boards. Specifically, the underlying research question is 'What cognitive and affective factors influence the presence of trust in boards?'. In more detail, the objectives of this research are:

1. To develop a conceptual model of the affective and cognitive determinants of trust in boards. This will involve the development of a multi-dimensional concept of trust in boards, as well as the theoretical derivation of cognitive and affective determinants based on a review of the literature on trust within teams.

2. To empirically test the conceptual model. This will involve operationalizing the concepts; designing, piloting and executing a survey of boards; and analysing and interpreting the results. The UK has been chosen as the empirical setting for this research for a number of reasons. Even though the UK has been at the forefront of developments in corporate governance, there continue to be concerns about board effectiveness as evidenced by the recent financial crisis (House of Commons, Treasury Committee, 2009). Second, in contrast to most continental governance systems, the UK has a unitary board structure and is, therefore, a particularly useful empirical setting to explore interaction that occurs between different types of directors (executive and non-executive).

3. To derive implications for theory and practice. Contrary to mainstream corporate governance literature based on agency theory, this research explicitly focuses on socio-psychological dimensions of board interactions. The findings of this study will, therefore, contribute to providing an alternative perspective to theorising on boards from a behavioural perspective. The implications for practice will outline how boards need to go beyond compliance with codes to develop high performing boardroom cultures.

1.3 Summary of the Thesis Content

This thesis contains a total of seven chapters. This section provides a general summary of the subsequent chapters in this thesis.

Chapter 2- presents the review of the research on corporate governance and boards of directors in two parts. The first part reviews the mainstream theoretical and empirical literature that has focused on the link between board structure and performance. The theoretical approaches discussed in this chapter are agency, stewardship, resource dependence, and stakeholder theories of corporate governance, and the implications of these theories for the role and function of boards will be discussed. The second part of the chapter reviews the literature on behavioural perspectives on boards which include a) the application of the behavioural theory of the firm to understanding boards and b) board processes and their determinants based on IPO models drawn from the small team literature. This chapter seeks to highlight the current state-of-art of knowledge on boards of directors, as well as locating the thesis within this body of work.

Chapter 3- develops the conceptual model of the relationship between trust and its determinants. This involves reviewing the literature on trust in teams and defining the concept. Further, the existing literature on trust in teams, and the emerging literature on trust in boards will be used to derive the affective and cognitive determinants of trust, as well as potential interaction variables. Hypotheses are then formulated.

Chapter 4- presents the methodology of this research. Having considered alternative methods, a quantitative survey design was chosen and used in investigating the relationship between trust and its determinants. The chapter describes in detail the research design and implementation, including questionnaire development; the research population and sampling; validity and reliability checks; and sources of biases and how these were addressed. Ethical concerns and how these were dealt with will also be discussed.

Chapter 5- presents the results and findings of the data analysis testing for the determinants of trust in the boardroom. A regression analysis was employed in this chapter to test the hypotheses outlined in chapter 3.

Chapter 6- discusses the results of the research in Chapter 5 in relation to existing literature and its contribution to the stream of research on the behavioural approach to boards.

Chapter 7- concludes the research by highlighting the contribution to knowledge, the limitation of the research, and recommendations for future research.

CHAPTER 2

LITERATURE REVIEW: TRADITIONAL CORPORATE GOVERNANCE THEORIES AND BEHAVIOURAL PERSPECTIVES ON BOARDS

2.1 Introduction

Although the term corporate governance is fairly recent in academic scholarship, discussions about the nature of companies, how companies are directed and controlled and in whose interests, and the roles and responsibilities of directors can be traced as far back as the history of corporations themselves (cf. Smith, 1937 [1776]; Berle and Means, 1932; Morck, 2007). Although there is no commonly agreed definition of corporate governance, it is typically seen to encompass the structures, systems and mechanisms by which companies are controlled, directed, and made accountable to stakeholders (Cadbury, 1992; OECD 2004; Conyon and Peck, 1998).

Within the various corporate governance mechanisms, the board of directors is typically seen as a central one and has been described as being at the ‘apex of the internal decision control system’ (Fama and Jensen, 1983; Jensen, 1993). It is therefore not surprising that there is a voluminous literature on boards spanning many decades and discipline areas. *Finance and economics* scholars, largely drawing on transaction cost and agency theory, have tended to view the board of directors as a key control mechanism to protect shareholder wealth (Jensen and Meckling, 1976; Fama and Jensen, 1983; Shleifer and Vishny, 1997). *Legal scholarship* has drawn on the property rights theory (Alchian and Demsetz, 1972) and more recently the team production theory of corporate law (Blair and Stout, 1999) to identify the rights and responsibilities of boards and directors in relation to other actors within firms. *Sociologists* have studied boards and directors as part of wider power structures in societies (Useem, 1984), and have also drawn attention to boards as a mechanism that links organisations to their external environment and through which resources, power and legitimacy are obtained and constructed (Pfeffer, 1972; Pfeffer and Salancik, 1978; Mizuchi and Stearns, 1988; Galaskiewicz, 1985). Finally, *management*

scholars have drawn on multiple theoretical perspectives including managerial hegemony, upper echelons, stewardship and resource-based views to understand boards within a wider framework of organisational value creation (or destruction) (Mace, 1971; Andrews, 1981; Hambrick and Mason, 1984; Lorsch and MacIver, 1989).

It is beyond the scope of this thesis to review this entire body of work on boards of directors. Instead, the focus will be broadly on how boards contribute to organisational value creation, and more specifically the theoretical and empirical literature that has sought to explain how boards impact on firm performance. Early studies, including the seminal work by Mace (1971), were skeptical about boards having any effect on firm performance and described boards as passively rubber-stamping management decisions. Corporate governance changes and new theoretical developments from the late 1970s and 1980s onwards led to a renewal of interest in boards, and especially the role of boards in controlling management actions and behaviours (Fama and Jensen, 1976; Kosnik, 1990; Hermalin and Weisbach, 1991), but also boards' roles as boundary spanners through corporate networks (Pfeffer and Salancik, 1978; Burt, 1980; Pennings, 1980). This initiated a voluminous stream of literature that examined how board structure and composition, and especially characteristics associated with board independence, impact on firm performance (Certo, 2003; Daily et al., 2003; Finkelstein et al., 2008; Hermalin and Weisbach, 2003; Hillman and Dalziel, 2003). Nevertheless, despite decades of empirical research, the evidence linking board composition to firm performance remained equivocal (e.g. Daily et al., 2003; Dalton and Dalton, 2011; Hermalin and Weisbach, 2003). This has led to a change in the direction of board research and scholars have proposed an alternative way of theorizing about corporate boards by introducing behavioural perspectives in an attempt to better understand and explain what makes boards effective (Finkelstein and Mooney, 2003; Forbes and Milliken, 1999; Huse, 2005; Kroll et al., 2008; Pye and Pettigrew, 2005; Roberts et al., 2005, van Ees et al., 2009b).

The aim of this chapter is twofold. First, this chapter will present an overview of the literature on corporate governance theories that underpin the conceptualisation of board roles and tasks, and a synthesis of the empirical findings on the relationship between board structure/composition and firm performance. The aim here is to present an overview of what constitutes the board structure/composition research and its criticisms leading to the second part of this chapter. Second is the review of the literature on the new directions and alternative theorising in the research on boards and corporate governance that emanated from the limitation of the mainstream research on board structure/composition. This part of the chapter will focus on the behavioural perspectives on boards by distinguishing between the behavioural theory of boards derived from the application of the behavioural theory of the firm (van Ees et al., 2009b), and the stream of research in an input-process-output model tradition derived from team literature and applied to corporate boards (Forbes and Milliken, 1999). Emphasis will be on why there has been a call to study board behavioural processes and dynamics in and around the boardroom to better understand conditions for effective corporate governance. From the review of the behavioural stream of research examining board processes, the primary objective of this research will be focused on -which is to identify the potential determinants of board processes - specifically, those for trust in the boardroom.

2.2 Traditional Theories on Corporate Governance and Board Characteristics

2.2.1 Agency Theory

Jensen and Meckling (1976) developed agency theory to explain what happens in agency relationships, a contractual relationship under which one or more persons (i.e. the principal) employ another person or a group of individuals (i.e. the agent) to perform some service on their behalf, which usually involves the delegation of a degree of decision-making.

When propounding the theory, Jensen and Meckling (1976) developed a 'theory of the firm' to explain the conflict of interest between the parties involved in the agency relationship and the consequences thereof. The main actors in this relationship are shareholders who are the principals and corporate managers who are the agents (Fama and Jensen, 1983; Jensen and Meckling, 1976; Williamson, 1984). According to agency theorists, this relationship is based on the human behavioural assumptions that people are boundedly rational, self-interested, and utility maximizers (Fama, 1980; Jensen and Meckling, 1976). The assumption of bounded rationality means that people make rational decisions within their limited capabilities. Furthermore, Jensen and Meckling (1976) stated that if both parties are self-interested and utility maximizers, there is a reason to believe that the agent will not always act in the best interest of the principal. There is also the assumption of the principals' and the agents' differing attitude towards risk. While the principal is assumed to be risk neutral, the agent is assumed to be risk averse (Eisenhardt, 1989). Taking into account these assumptions, agency theory is concerned with resolving two main problems that ensue in the principal-agent relationship. These problems are (1) conflicting goals of the principal and the agent, and their different attitudes towards risk; (2) the principal's difficulty of verifying the activity of the agent which refers to the problem of 'information asymmetry' (Eisenhardt, 1989). Given these problems, agency theory explains why the firm exists despite the inherent conflict of interests between the principal and the agent. Due to the conflicting interests, agency theorists recommend the use of contracts to align the principals' and the agents' interests (Eisenhardt, 1989). These are outcome-based contracts and behavioural-based contracts. According to Eisenhardt (1989), finding the optimal contract that will align the interests of both parties is dependent on varying levels of output uncertainty, risk aversion, and the available information to the principal. On the one hand, if the principal is completely aware of the activity of the agent (i.e. when information is available), the behavioural contract will be the optimal contract. On the other hand, if the principal has no access to information or is unaware of the activities of the agent, an outcome-based contract is the optimal contract (Eisenhardt, 1989; Shankman, 1999). When

information is unavailable, or the actions of the agent are not entirely observable, two agency problems are cited in the principal-agent relationship. These problems are called ‘contracting problems’ and include moral hazard and adverse selection (Eisenhardt, 1989). In the principal-agent relationship, moral hazard describes a situation whereby the agent takes advantage of being protected from the consequences of a risky behaviour knowing that the principal or the investor will incur the costs of such actions. Adverse selection is when the principal cannot verify the skills and abilities of the agent (i.e. hidden information) before hiring or while the agent is acting on behalf of the principal.

To mitigate these contracting problems, the principal is compelled to invest in information systems such as budgeting systems, reporting procedures, boards of directors, and additional layers of management (Eisenhardt, 1989; Nyberg et al., 2010). According to Eisenhardt (1989), investing in these systems that inform or reveal the agent’s behaviour to the principal are likely to curb the inherent opportunism of agents. These attempts to solve the problems associated with the principal-agent relationship are what results in ‘agency costs’ (Jensen and Meckling, 1976). According to Jensen and Meckling (1976), agency costs are the sum of monitoring costs, bonding costs, and residual losses. Due to information asymmetry, monitoring costs are incurred by the principal when an independent party (usually the board of directors) is hired to scrutinise the activity of the agent or managers (Jensen and Meckling, 1976; Shankman, 1999). Given the emphasis placed on information asymmetries by agency theorists, the principal could also use incentives with the agent or output-based contracts to minimise the potential divergence interest (Jensen and Meckling, 1976). In sum, the investment in systems through the appointment of the board of directors and/or the use of incentive systems to exact control over the agent are called ‘monitoring costs’ incurred by the principal (Easterbrook, 1984; Eisenhardt, 1989; Jensen and Meckling, 1976).

‘Bonding costs’ are the costs the agent incurs in an attempt to show that his/her actions/decisions are in favour of the principal (Jensen and Meckling, 1976). For example,

agents or managers could easily forgo profit voluntarily for the growth of the organisation or to add intrinsic value to the firm. This opportunity cost of organisational growth amongst other decisions the agent makes on behalf of the principal is called the bonding cost (Hewitt and Brown, 2000). The impact of bonding costs on the agent are usually profound when the principal uses an 'outcome-based contract' to align interests in their relationship (Eisenhardt, 1989). This allows the principal to shift the consequences of misguided or poor managerial decisions on the agent. A common way of doing this is to use equity-linked compensation amongst other incentive systems (Burns and Keida, 2004). According to Daily et al. (2003), managerial compensation or incentives (such as stock options, ownership concentration, short run incentive and other incentives) are also capable of mitigating against conflict of interest between managers and shareholders. Such managerial compensation and incentive systems encourage managers to adopt practices that insulate shareholders from managerial self-interest. The use of equity and other forms of compensation may make managers less risk averse and more likely to take on positive net present value, risky projects (Burns and Keida, 2004). In sum, bonding costs are the costs of assuring the principals that their interest will be prioritised, hence, relieving agency issues associated with 'adverse selection' from the principals' standpoint (Hewitt and Brown, 2000; Jensen and Meckling, 1976; Hansmann, 1980).

'Residual loss' is the cost incurred when there is some divergence between the agent's decisions and those decisions that will maximise the interest of the principal (Jensen and Meckling, 1976). To summarise, where the principal may incur costs to protect personal interests, the agent may also incur costs by bearing full responsibility for the actions taken on behalf of the principal. Irrespective of who bears what cost, these are all costs associated with the principal-agent relationship (i.e. agency costs). Therefore, monitoring costs, bonding costs, and residual loss are incurred in an attempt to align interests in the principal-agent relationship and to solve agency problems.

In agency theory, the role of the board is to monitor and control agents (Boyd, 1990; Daily et al., 1996; Eisenhardt, 1989; Garrat, 1997; Hillman and Dalziel, 2003; Pearce and Zahra, 1992). The monitoring role of the board of directors includes activities such as monitoring the CEO, monitoring strategy implementation, planning CEO succession and evaluating and compensating CEO/top managers of the firm while the control role of the board includes hiring, firing and remunerating the management.

According to agency theorists, certain characteristics of the board are more likely to facilitate effective monitoring and control of the agents and could lead to better firm performance (Daily et al., 2003). The main focus of agency theorists is on the concept of board independence, i.e. the ability of the board to exercise control without undue influence by the agents (managers) (Fama and Jensen, 1983; Daily et al., 2003; Johnson et al., 1996; Westphal, 1998). Agency theorists, therefore, suggests the presence of a higher proportion of independent outside directors on corporate boards (Fama and Jensen, 1983; Fama, 1980; Jensen and Meckling, 1976; Nicholson and Kiel, 2003) in order to achieve effective monitoring of the actions of self-interested managers. A director is usually seen to be independent if he/she has no employment, financial or familial ties with the focal firm and its management team and thus be free of influence from the CEO and the management team (Bhagat et al., 2008; Johnson et al., 1996; Pearce and Zahra, 1992; Westphal, 1998). According to Dalton and Dalton (2011), board independence as prescribed by agency theory may refer to the willingness and the ability of board members to monitor a firm and its management responsibly. Responsible monitoring is seen to occur when the board independently scrutinises management in a way that promotes

shareholders' interests (Dalton, Hitt, Certo, and Dalton, 2008; Fogel and Geier, 2007).

Another element of board independence has to do with how the roles of the CEO and the chairperson are structured. For the purpose of independence and achieving an optimal leadership structure, agency theorists recommended that the posts of the chair and the CEO be assigned to two individuals (Boyd, 1995; Fama and Jensen, 1983). This is because the presence of CEO-duality is argued to reduce the effectiveness of board monitoring and would lead to a person having a significant amount of power that influences decision-making and the control of the management (Boyd, 1995; Fama and Jensen, 1983; Mizruchi, 1983). Additionally, advocates for agency theory argue that without such separation, directors are unable to evaluate the performance, policies, and practices of a firm's executive management dispassionately (see Chi, 2009; Conger and Lawler, 2009; Jensen, 1993; MacAvoy and Millstein, 2003; Monks and Minow, 2008). As suggested by agency theorists, CEO duality compromises board independence and the ability of the board to monitor effectively and control managerial self-interest.

Regarding the optimal board composition, agency theorists have also discussed the issue of board size. On the one hand, there is an argument that larger boards will better monitor the management due to a greater number of people scrutinising their activities. On the other hand, if the board exceeds a certain size, decision-making could be compromised as sub-groups form which could allow the CEO to dominate. Therefore, Jensen (1993) suggested an upper bound of eight directors as any number above this will inhibit higher board performance.

There have been numerous studies that have sought to test the predictions from agency theory regarding board characteristics and performance outcomes but the evidence is

mixed (Adams and Ferreira, 2007; Ahmed et al., 2006; Crespi-Cladera and Pascual-Fuster, 2014; Dalton et al., 1998; Dalton and Dalton, 2011; Harris and Raviv, 2008; Hermalin and Weisbach, 1998; Johnson et al., 1996; Kiel and Nicholson, 2003; Raheja, 2005). Researchers who have used the presence of outside directors to proxy for board independence in various national contexts found that it has a positive impact on firms' financial and operating performance, especially when accompanied with other organisational variables (Choi et al., 2007; Liu et al., 2015; Pearce and Zahra, 1991). Where these studies have shown that the representation of independent outside directors on corporate boards is positively associated with firm performance, other studies have evidenced negative consequences or a non-correlation. For example, evidence from US firms shows a non-correlation between board independence and performance outcomes (Agrawal and Knoeber, 1996; Bhagat and Black, 2002; Dalton et al., 1998; Hermalin and Weisbach, 2003; Hossain et al., 2001; Yermack, 1996). In addition, some studies have reported an inverse curvilinear relationship between board independence and firm performance (Barnhart and Rosenstein, 1998). Meta-analytic studies that examined the impact of board independence in the form of outside director representation in different countries and contexts have also revealed no substantive evidence to support its influence on performance (e.g. Barnhart et al., 1994; Dalton et al., 1998; Dalton et al., 2008; Fogel and Grier, 2007; Rhoades et al., 2000). It is without surprise that Barnhart et al. (1994) concluded in their research that there is "no relation between director independence and performance, whether measured by accounting or stock return measures" (p.1814).

Researchers have also been unable to find a consistently clear positive or negative impact of CEO duality on performance outcomes. For example, in Krause and Semadeni's (2013) study of different forms of duality in Standard and Poor's 1500 and Fortune's 1000 firms, their findings emphasises the non-systematic effect the separation of the CEO and chairperson has on performance. They found that the separation of the leadership roles

positively impacts on future performance when present firm performance is poor but negatively impacts on future performance when present performance is high. They also found that different types of CEO-chairperson separation have distinct consequences for a firm with little to suggest that the separation of the leadership roles will always have a positive impact on firm performance. Ballinger and Marcel (2010) and Quigley and Hambrick (2012) found that CEO duality, even in the case of CEO interim successions, has a clear weakening negative effect on firm performance. Similar to these findings is that of Peng et al. (2007) when evidence from China shows that there is little support for the agency theoretic proposition of a positive relationship between board independence and firm performance. In Dalton and Dalton's (2011) integrated micro and macro research of the impact board structure and CEO duality has on firm performance, they found that there is virtually no evidence relating firm financial performance to CEO duality. Considering the amount of multi-disciplinary primary research, narrative reviews, and meta-analysis that extend over many years regarding the impact of leadership structure of boards on firm performance, it hasn't been easier to summarise that there is no substantive evidence to support the relationship between a board's leadership structure and the performance of a firm (Dalton et al., 1998; Dalton et al., 2008; Dalton and Dalton, 2011; Dey et al., 2009; Faleye, 2007; Iyengar and Zampelli, 2009).

The lack of empirical support for the agency theoretical views on board composition and leadership structure is associated with two main issues. The first is how board independence is defined and observed. There are no clear guidelines for identifying an independent board and no common consensus regarding the definition of board independence (Brennan et al., 2004; Rashid, 2015). Some researchers have used the proportion of outside directors who can make decisions without the influence of the firm's executive management as a proxy for board independence (Johnson et al., 1996). Nevertheless, Weisbach (1988) and, later, Crespi-Cladera and Pascual-Fuster (2014), point out that outside directors are not synonymous with

independence since they may have personal or economic ties to the firm, and that we should distinguish between outside, inside and 'Grey' directors. Johnson et al. (1996) also raised this issue regarding the extent to which outside directors are truly independent of the executive management. They identified a variety of factors (such as having a personal, economic, and professional dealings with the firm or its management) that may diminish the level of the independence of outside directors. In a similar vein, Westphal (1998) investigates how interpersonal behaviours between CEOs and outside board members can influence observable structural power. Some researchers have attempted to investigate how strictly independent directors and Grey directors' impact on firm performance but have found no substantial evidence to support the relationship (Crespi-Cladera and Pascual-Fuster, 2014; Hsu and Wu, 2014). Hsu and Wu (2014) found that firms with grey directors are less likely to fail while Crespi-Cladera and Pascual-Fuster's (2014) study revealed a weak negative relationship between non-strictly independent directors and the future performance of a firm.

The second issue has to do with how firm performance is empirically measured (e.g. market versus accounting-based performance measures), and how intervening factors are controlled. According to Hermalin and Weisbach (2003), the measurement of firm performance is likely to be a function of many other factors of which board characteristics could be one of them, as proposed by agency theory. This constraint of measuring firm performance makes it difficult to isolate the impact board characteristics has on performance, hence the limitation of empirically testing agency theorists' recommendation on board composition. Dalton and Dalton (2011) and others also pointed out that research had operationalised firm performance in many different ways (see Daily et al., 1999; Dalton et al., 1998; DeRue et al., 2009; Rhoades et al., 2000). Because of the problems associated with using firm performance as an outcome measure, more recent literature has sought to look at

the effects of board structure/composition on board decisions. For example, studies have explored how board composition impacts on board decisions such as mergers and acquisitions, the use of debt, appointment of new inside directors, lawsuits, levels of CEO compensation and so on (Deutsch, 2005; Gillette et al., 2003; Henry, 2004). Agency theorists suggest that mergers and acquisitions are used to protect shareholders from poor managerial behaviour (Jensen, 1986; Jensen and Ruback, 1983). The board of directors are responsible for recommending and approving such decisions regarding potential acquisitions. In line with agency theory, existing studies suggest that shareholders believe that independent directors are more likely to act in their best interest when making decisions regarding acquisitions (Cotter et al., 1997; Cole, Fatemi and Vu, 2007; Brickley et al., 1994; McWilliams and Sen, 1997). This is based on the argument that independent directors increase the likelihood of good corporate decisions regarding acquisitions via their monitoring role (Donna, 2007; Jensen, 1986). However, Deutsch (2005) revealed in a meta-analysis of the systematic relationship between board composition and six of the seven critical decisions that boards make (which includes those of mergers and acquisitions) that there was little evidence to support agency theory's predictions.

As per the decision to initiate lawsuits, this is used to signal a breakdown in the shareholder-director relationship, especially when targeted towards a board of directors (Crutchley et al., 2015; Kesner et al., 1990). Board members may be sued for failing to maintain their fiduciary duties in the oversight of the opportunistic management or participating in misleading shareholders. Kesner et al. (2015) showed in their research that this is usually the case when boards have a greater proportion of inside directors. In line with agency theory's monitoring arguments, the presence of board independence is argued to reduce corporate wrongdoing (Jensen, 1986). This argument is consistent with Uzun et al. (2004) who found that as the number of independent directors increased in boards' auditing and compensation committees, the possibility of fraud is decreased.

The decision on CEO compensation is a responsibility delegated to the board of directors (Chhaochharia and Grinstein, 2009). The traditional agency theory assumption of optimal contracting sees the board as the representative of shareholders whose main role is to constrain and monitor managerial power by introducing ownership interest in executive compensation packages (Conyon and Peck, 1998; Finkelstein, 1992; Yermack, 1996). The board of directors' independence is a corporate governance mechanism that makes this achievable (Bebchuk et al., 2002; Ben-Amar and Zeghal, 2011). Previous studies have examined the relationship between top executive compensation and board independence or outside member representation has produced mixed results. For instance, Finkelstein and Hambrick (1989) had reported that decisions on CEO compensation are not related to the proportion of outside directors on the board. Contrary to these findings, Boyd (1994) and Lambert et al. (1991) presented a positive relation between CEO compensation and the percentage of the board composed of outside directors. In a more recent research, it was found that CEO compensation is positively related to the proportion of the outside board members and CEO duality (Ben-Amar and Zeghal, 2011; Ozdemir and Upneja, 2012; Ya'acob, 2016).

2.2.1.1 Agency Theory Summary

Agency theory argues that the primary role of boards is to monitor and control the inherent opportunism of managers (Eisenhardt, 1989; Jensen and Meckling, 1976). Therefore, the structure and composition of boards (i.e. the presence of a majority of independent directors and an independent chair) should influence the ability of boards to effectively carry out their monitoring and control roles (Boyd, 1995; Fama and Jensen, 1983; Jensen and Meckling, 1976; Nicholson and Kiel, 2003). There is growing empirical evidence that continues to question the efficacy and applicability of agency theory, especially regarding board composition and leadership structure and their impacts on firm performance. Hermalin and Weisbach's (2003) in their review of the economics and finance literature on boards concluded that there is limited evidence that links board structure and

composition to board outcomes and performance. Similarly, in the review of management literature, Daily et al. (2003) did not find empirical support for the monitoring and control approach to corporate governance using shareholder value as a measure of performance. Dalton and Dalton (2011) also pointed to the fact that there is virtually no evidence relating to firm performance regarding these fundamental governance structures. The lack of empirical support for the suggested impact of board structure and composition has been associated with two main issues. On the one hand, scholars have pointed to the inadequacies of analyses used to examine the relationship between governance structure and firm performance (Hermalin and Weisbach, 2003). These include unclear explanations of how board independence is observed, the inconsistent measures of firm performance that fail to capture other variables that likely impacts on performance, and problems with endogeneity (Brennan et al., 2004; Hermalin and Weisbach, 1998, 2003; Park et al., 2003). Researchers have also tested how board independence (outside directors and/or leadership structure) affects critical board decisions (Deutsch, 2005). Research on this relationship has also largely produced mixed results (e.g. Boyd, 1994; Cole et al., 2007; Deutsch, 2005; Finkelstein and Hambrick, 1989; Ozdemir and Upneja, 2012; Ya'acov, 2016).

Apart from the empirical concerns, there are other critiques related to agency theory in itself. For example, agency theory identified the potential issues inherent in the principal-agent relationship and had proposed the use of corporate mechanisms (e.g. boards) to reduce the impact of this problem (Georgeta and Ștefan, 2012; Kosse and Senbet, 1998). These mechanisms are also expected to strengthen the internal control of companies, ensuring monitoring and control for a firm to reduce agents' opportunistic behaviours and information asymmetry between the principal and the agent (Eisenhardt, 1989; Fama and Jensen, 1983; Shapiro, 2005). The main criticism is related to how agency theory has described the behaviour of the agent as potentially self-serving. This description is dominated by an economic perspective on human behaviour and has been criticised as being either overly simplistic or false (Pepper and Gore, 2012; Daily et al., 2003; Hendry,

2005; Stout, 2012). Human behaviour is complex and could be motivated by other factors beyond self-interest (or indeed pure altruism) (Westphal and Zajac, 2013). Some scholars have argued that the imposition of control mechanisms may impact adversely on the self-esteem and confidence of agents as this will inhibit the motivation of agents (Frey, 1993; Shapiro, 2005). These criticisms of agency theory identified amongst others have led to a call for an alternative theory that contrasts or complements the agency theoretical perspective (Roberts et al., 2005). Examples of these alternative theories include stewardship theory, stakeholder theory, and resource dependence theory. The following sections will present a review of these theories in light of their alternative recommendation on board structure and performance.

2.2.2 Stewardship Theory

From the psychology and sociology perspectives, proponents of stewardship theory introduced an opposing view to agency theory (Donaldson and Davis, 1991; Davis et al., 1997). The whole concept of stewardship theory grew from Donaldson and Davis' (1991) seminal paper. In stewardship theory, a behavioural premise is used to explain the relationship between stewards/managers and the principal/shareholders (Donaldson and Davis, 1991; Davis et al., 1997). The theory holds that there is no inherent general problem of executive motivation in the relationship between the managers and the shareholders (Donaldson and Davis, 1991). According to Davis et al. (1997), the steward is devoted to maximising the shareholders' wealth through higher firm performance. The reason for this is that managers are regarded as trustworthy and will serve in the interest of their principal. This stewardship behaviour, Hernandez (2012; p.174) is explained to be 'the extent to which an individual willingly subjugates his or her personal interests to act in protection of others' long-term welfare'. According to Hernandez (2012), this represents the moral commitment that binds both parties, enabling them to work towards a common goal without taking advantage of each other. In describing managers' loyalty to their employers, stewardship theorists used their root perspective in psychology and sociology to describe how humans

behave (Donaldson and Davis, 1991; Davis et al., 1997; Fox and Hamilton, 1994). They described the 'steward's behaviour as organisation centred, seeking to improve organisational performance by satisfying the principal' (Arthurs and Busenitz, 2003; p. 154). Davis et al. (1997) used the 'model of man' to buttress this point. The model described man as predominantly pro-organisational and collective. In other words, when there is an alignment of interest between shareholders and managers, managers will derive maximum utility (Corbetta and Salvato, 2004; Davis et al., 2010; Hernandez, 2012). Therefore, it is recommended that managers should be granted autonomy on the basis of trust (Davis et al., 1997). This eliminates the need to incur monitoring costs by the shareholder and the stewards incurring bonding costs. More so, such autonomy serves as a source of motivation to the manager and is organisational-centric.

Given the absence of motivational problems among executives, stewardship theory holds that performance variations are dependent on the structural situation of executives (Davis et al., 1997). Therefore, the theory states that high corporate performance can be achieved as long as there are clear and consistently structured roles and expectations that authorise and empower senior management or the CEO (Donaldson and Davis, 1991). Based on this stewardship view of management, a leadership structure whereby the CEO is also the chairperson of the board (i.e. CEO-duality) is recommended because it encourages the unity of direction, strong command, and control that benefits the organisation (Davis et al., 1997; Donaldson and Davis, 1991; Donaldson, 1990). CEO-duality also enables the CEO to exercise complete authority over the corporation, making the role unambiguous and unchallenged (Davis et al., 1997; Donaldson and Davis, 1991). Considering these arguments for the fusion of the incumbency of the CEO and the chairperson, stewardship theorists holds that CEO duality will facilitate a superior firm performance than when these functions are separated (Donaldson and Davis, 1991). In harmony with theoretical stewardship recommendation on board structure, researchers as Boyd (1995), Kota and Tomar (2010), and Chiang and Lin (2007) have found that CEO-duality has a significant

positive influence on firm performance. These higher performance outcomes were linked to the effectiveness of explicit leadership and unity of command. Irrespective of these findings, it is useful to note that accumulated research on the effects of duality on firm performance is ambiguous (Dalton and Dalton, 2011; Finegold et al., 2007). For example, studies that have used stock market measures for performance have found no significant effect of CEO duality (Daily and Dalton, 1992, 1993, 1997; Rechner and Dalton, 1989; Baliga et al., 1996; Brickley et al., 1997). Studies that have also used financial measures for performance have found that CEO duality has a mixed effect. While some have discovered a positive impact (e.g. Daily and Dalton, 1994; Donaldson and Davis, 1991; Kiel and Nicholson, 2003), others have found adverse consequences (e.g. Coles, McWilliams, and Sen, 2001; Rechner and Dalton, 1991).

Stewardship theorists have also recommended the optimal board composition that involves a significant proportion of inside directors on corporate boards. This is for the purpose of effective and efficient decision-making (Davis et al., 1997; Nicholson and Kiel, 2007). According to Nicholson and Kiel (2007), stewardship theorists recommend a higher proportion of inside directors because it facilitates performance in the form of more profit for shareholders. In comparing the impacts of inside directors to outside directors, Davis et al. (1997) suggested that if inside directors are left unimpeded by outside directors, they are more likely to be motivated and will work towards the long-term success of the organisation. Although it is useful to note that the finding of Wanger et al.'s (1998) meta-analysis shows that increasing the number of both inside and outside directors has different positive impacts on firm performance. A possible explanation for this empirical finding can be found in Raheja (2005), who argued that inside directors could improve performance as they are a major source of firm-specific information and experience. However, they may have distorted objectives due to private benefits. As for outside directors, they introduce a level of independence and monitoring and are also capable of providing superior

performance, but they are less informed about the firm's constraints and opportunities (Arosa et al., 2013; Liu et al., 2015; Raheja, 2005). In Liu et al.'s (2015) evidence from China, they showed that independent outside directors play a major role in constraining inside directors' self-dealing and are also capable of improving investment efficiency. For these reasons, Finegold et al. (2007) argued that theorists such as Fama and Jensen (1983) who are pushing for the presence of a higher proportion of unaffiliated or outside directors on a corporate board could harm firm performance. This prescription deprives the board of valuable firm and industry-specific knowledge. After building on the meta-analysis conducted by Zahra and Pearce (1989), Finegold et al. (2007) found that the ratio of inside and outside directors leads to firm performance, not one above the other. This finding is similar to that of Wanger et al. (1998). However, other empirical findings have upheld the stewardship view that a higher proportion of inside directors has a positive impact on performance. For example, in research based on this stewardship proposition, it was found that there is a significant positive relationship between boards with a greater proportion of inside directors and higher firm performance and shareholders' wealth (Arthurs et al., 2008; Donaldson and Davis, 1991; Klein, 1998; Muth and Donaldson, 1998).

Considering the recommended structure and composition, proponents of stewardship theory lay more emphasis on the strategic role of corporate boards (Boyd, 1995; Donaldson and Davis, 1991; Gopinath et al., 1994; Stiles, 2001). The strategic role of boards in strategy development and implementation, collaborating, and mentoring of the management contributes to the overall stewardship of the management and company (Huse, 2007; Hung, 1998; Shen, 2003; Stiles, 2001; Stiles and Taylor, 1996; Sundaramurthy and Lewis, 2003). Stiles and Taylor (1996) indicated that boards take a larger role in the

development of strategies. Also in Demb and Neubauer's (1992) survey of 71 directors, an increasing emphasis was found in the formulation of the strategy role of boards in relation to their performances. When stewardship theory described the role of boards as collaborative, this suggests that boards should collaborate with the management for the development of strategic formulation and implementation (Sundaramurthy and Lewis, 2003). Additional to the strategic role of boards, Shen (2003) highlights the mentoring of management role which involves the coaching of management in strategic decision-making.

2.2.2.1 Stewardship Theory-Summary

Stewardship theory describes managers as stewards who readily put the interests of the principal/shareholders ahead of self-serving interest (Donaldson and Davis, 1991). The interests of the manager and that of shareholders are aligned (Corbetta and Salvato, 2004; Davis et al., 2010; Hernandez, 2012). For this reason, the principal/shareholders should create an organisational structure that encourages stewardship behaviour in a collectivist and cooperative manner to facilitate firm performance. Given this, stewardship theorists recommend that the roles of the CEO and chair should be conferred on one individual for the purpose of consistency and a clearly defined leadership structure (Davis et al., 1997; Donaldson and Davis, 1991; Donaldson, 1990). Empirical findings regarding the impact of CEO-duality on performance has been mixed and ambiguous (Dalton and Dalton, 2011; Finegold et al., 2007). Also, stewardship theorists recommend that corporate boards should be made up of a higher proportion of inside directors to outside directors (Davis et al., 1997; Donaldson and Davis, 1991). Empirical evidence regarding this recommendation has been inconclusive as well. Some research shows the benefits of insiders on corporate boards as they provide organisation-centric knowledge and information to the firm, however, they could have distorted objectives due to personal gain (see Arosa et al., 2013; Finegold et al., 2007). Other research shows that outside directors can provide the organisation with superior performance through independent monitoring, but they are constrained by information (Arosa et al., 2013; Raheja, 2005).

Stewardship and Agency theories of corporate governance have focused more on the benefits of stockholders and have mainly measured firm performance in monetary terms (Gilbert et al., 1988). Both theories have failed to consider a broad range of other participants that also have a stake in the organisation and other roles that corporate boards carry out such as providing resources to the organisation. The stakeholder and resource dependence theories of corporate governance have focused on these unexplored aspects of corporate boards by agency and stewardship theories. The next sections will present a review of these theories.

2.2.3 Resource Dependence Theory

Apart from agency theory, resource dependence is another prominent theory that has exerted noticeable influence in the domain of corporate governance (Dalton et al., 2007; Zahra and Pearce, 1989). Literature reviews on corporate boards have shown that the resource dependence theoretical recommendations are often empirically supported than other theories in corporate governance (e.g. Johnson et al., 1996; Zahra and Pearce, 1989). The resource dependence theoretical perspective views a firm or an organisation as linked to its environment (Pfeffer and Salancik, 1978). According to resource dependence theorists, one of the reasons for this linkage is to reduce uncertainty, make the acquisition of resources easier, and reduce the transaction costs associated with the interdependencies between the firm and various institutions in the environment (Hillman et al., 2000; Williamson, 1984). Resource dependence theorists also argued that the primary role of corporate boards is to provide resources to the organisation (Hillman et al., 2000; Pfeffer and Salancik, 1978). Such resources could be anything that contributes to the strength or weakness of a firm. Also, the theory describes corporate boards as overseers of the external dependence of the firm by reducing environmental uncertainty, lowering the transaction cost associated with environmental interdependency, and ensuring the company's continued survival (Hillman et al., 2000; Daily and Dalton, 1994; Pfeffer and Salancik, 1978; Singh et

al., 1986). Corporate boards bring a variety of resources into the organisation. Examples of such resources include information, skills, access to key constituents (e.g. suppliers, buyers, public policy decision-makers, social groups), and legitimacy (Gales and Kesner, 1994). The type of resource that a board member brings into the organisation depends on the category of the board member. Hillman et al. (2000) divided board members into four main categories which are (1) insiders, (2) business experts, (3) support specialists, and (4) community influentials. Where there are four categories of board members, the resources and benefits they provide are also differentiated (Hillman et al., 2000; Pfeffer and Salancik, 1978). For example, Pfeffer and Salancik (1978) identified some of the benefits board members provide according to their categories. These benefits include (1) advice and counsel, (2) legitimacy, (3) channels for communicating information between external organisations and the firm, and (4) obtaining preferential access to commitments. There is strong support regarding these identified four main benefits that boards can bring into an organisation (Carpenter and Westphal, 2001; Daily and Schwenk, 1996; Hillman et al., 2009; Hillman et al., 2000; Westphal, 1999).

Considering how corporate boards provide a variety of resources and links a firm to its external environment to provide firm-specific expertise and connections, resource dependence theorists have described this as the resource dependence role of boards (Hillman et al., 2009; Johnson et al., 1996). Also, scholars have integrated the resource dependence theory with network theory due to its similar assumptions regarding interdependencies of organisations while emphasising the socially embedded context of firms. From this premise, resource dependence theories have also highlighted the networking role of corporate boards (Hillman et al., 2003; Hillman et al., 2009). Bae and Gargiulo (2004) found that organisation could use a network of inter-organisational relationships to gain power and access to resources. Corporate boards accomplish this networking role by facilitating inter-dependencies or inter-organisational relationship normally through board interlocks (i.e. a practice whereby members of a corporate board are serving

on the boards of multiple corporations) (Hillman et al., 2003; Hillman et al., 2009). However, it is useful to note that other researchers have also classified the networking and resource dependence roles of boards under the service role (Hillman et al., 2000; Hillma et al., 2003; Van den Heuvel et al., 2006; Zahra and Pearce, 1989; Zona and Zattoni, 2007). According to Zahra and Pearce (1989: 292), the service roles of boards as ‘enhancing company reputation, establishing contacts with the external environment, and giving advice and counsel to executives’. Most researchers that have described the service role of boards have commonly identified their resource dependence and networking roles as originally identified by Zahra and Pearce (e.g. Hillman and Dalziel, 2003; Hillman et al., 2008; Zona and Zattoni, 2007). In sum, according to resource dependence theorists, the main roles of corporate boards are to provide resources to the firm and to serve as a network facilitating inter-organisational dependencies.

Apart from describing the resource dependence and networking roles of corporate boards, resource dependence theorists have also recommended a composition of boards that reflects their roles. According to Pfeffer and Salancik (1978), the composition and structure of directors should reflect a firm’s external environment. In line with this, Pfeffer (1973) stated that when the external business environment changes, the composition of the board should change to reflect the shift in resource requirement. In Hillman et al. (2000), after identifying the taxonomy of directors with the form of resource they bring into a firm, they concluded that the function of boards as a link to the environment is important, and the firm alters the composition of the board to respond to environmental changes. Resource dependence theorists recommend the composition of boards be characterised by size, diversity, and interlocks so as to reflect their resource dependence and networking roles. The reason for this recommendation is that larger board sizes and the presence of diversity increase the connections firms have with the environment, enhances the chance of securing organisational centric resources, and could result in better decision-making (Coffey and Wang, 1998; Goodstein, Gautam, and Boeker, 1994; Hillman et al., 2002; Pfeffer, 1972,

1973; Pfeffer and Salancik, 1978). As for boards' diversity, this could be in the form of age, tenure, gender, functional background, education and professional experiences (Coffey and Wang, 1998). There is also board interlocks and the presence of outside directors that facilitate the link an organisation has with the environment, conveying information across firms, securing access to resources and the formation of joint ventures (Burt, 1980; Forbes and Milliken, 1999; Gulati and Westphal, 1999; Hillman et al., 2003; Mizuchi, 1996).

Studies have focused on board size and composition as an indication of the ability of boards to provide critical resources to the firm, as they serve as a linkage between a firm and its environment. In Pfeffer (1972, 1973), it was found that board size and composition are rational responses to external environmental conditions. Similarly, Boyd (1990) found that the size of the board may vary (i.e. become smaller or larger) depending on environmental uncertainties. Furthermore, on the size of corporate boards, Goodstein et al. (1994) suggested that board size may be a measure of the ability of an organisation's form a link to the environment to secure critical resources. More so, the resource dependence theory has been the primary foundation for the recommendation that larger boards are associated with higher levels of firm performance as they provide more links than boards with smaller members (e.g. Dalton et al., 1999; Goodstein et al., 1994; Pfeffer, 1972, 1973; Pfeffer and Salancik, 1978). According to resource dependence theorist, larger boards also tend to utilise greater resources in a way that helps superior firm performance. Therefore resource dependence theorists argue that larger firms require larger boards because firms of similar size are hypothesised to outperform firms with smaller boards (Pfeffer, 1972, 1973; Pfeffer and Salancik, 1978). In support of these recommendations, in a meta-analysis carried out by Dalton et al. (1999), a positive link was found between board size and firm financial performance. Daily and Dalton (1992) similarly found a positive relationship between board size and firm performance in the case of small firms. Also, apart from resource dependence theorists' recommendation that board size is related to the firm's environmental needs, there is also empirical support for the premise that for greater

interdependence firms require a higher ratio of resource-rich outside directors (Boyd, 1990; Pfeffer, 1972). In Peng (2004) and Daily (1995), it was found that the presence of resource-rich outside directors on boards has a positive influence on firm performance and organisations suffering from the imminence of bankruptcy are more likely to re-emerge. These studies reiterate the role of boards as a link between a firm and its environment and as a resource to the organisation.

2.2.3.1 Resource Dependence Theory-Summary

The basis of resource dependence theory is that the firm depends on its external environment. The corporate board of directors serve as a linkage between the firm and its environment. Therefore, the roles of the board are to provide resources to the firm and to act as a network of connections that facilitate inter-organisational dependencies (Hillman et al., 2000; Hillman et al., 2003; Van den Heuvel et al., 2006; Zahra and Pearce, 1989). Some researchers have summarised these roles under the service and networking role of corporate boards (Hillman et al., 2000; Hillman et al., 2003; Van den Heuvel et al., 2006; Zahra and Pearce, 1989; Zona and Zattoni, 2007). Considering these roles, the structure of the board should reflect the firm's external environment (Hillman et al., 2009). For this reason, resource dependence theorists have focused on board size and composition as an indicator of the ability of boards to provide critical resources to a firm and facilitate performance. Therefore, resource dependence theorists recommended a larger board size as a response to a firm's environmental changes and a higher proportion of outside directors that reflects greater external interdependencies between a firm and its environment (Pfeffer, 1972). This recommendation of resource dependence theorists on board size and composition has been supported by some empirical findings such as Sanders and Carpenter (1998); Daily, Johnson, and Ellstrand (1999); Pearce and Zahra (1992), and so on.

2.2.4 Stakeholder Theory

Stakeholder theory is derived from a combination of the sociological and organisational perspectives (Wheeler et al., 2003). The theory gained recognition through the works of scholars such as Clarkson (1995); Donaldson and Preston (1995); Mitchell et al. (1997), and Rowley (1997) as they facilitated further development of the theory. Stakeholder theory has been applied to corporate governance in a way that departs from other theories of corporate governance. For example, where agency and stewardship theory focuses on the leadership structure of a firm and how it is meant to maximise shareholder value, stakeholder theory introduces a broader approach. Stakeholder theory addresses the issue of corporate governance by suggesting that the main objective of an organisation is to maximise the welfare of its stakeholders. This is the fundamental way stakeholder theory differs from other corporate governance theories (Donaldson and Preston, 1995). In an attempt to explain and guide the structure and operation of corporations, stakeholder theory views the corporation as an organisational entity characterised by numerous and diverse participants with multiple and usually incongruent purposes (Donaldson and Preston, 1995). These participants are stakeholders of a corporation or an organisation. 'Stakeholder' is a term used by many scholars to capture to whom an organisation is responsible. Mitchell et al. (1997) described the stakeholders of an organisation in two ways, i.e. (1) those who have a contracted legitimate stake in an organisation as they expect returns from their stake, (2) those who affect or can be affected by the achievement of organisational objectives as they also are entitled to a measure of return. Freeman (1984) identified stakeholders to be any group or individual that can impact and affect the achievement of organisational objectives. This is a broad description of corporate stakeholders as it includes those who have a formal and informal link to the organisation. Similarly, Evan and Freeman (1988: 79) described stakeholders as those who 'benefit from or are harmed by and whose rights are violated or respected by corporate action'. Also, Freeman (2004: 364) described stakeholders as those groups who are vital to the survival and the success of the organisation. From these

definitions, the description of stakeholders is organisation oriented; moreover, the corporate organisation is seen to be part of a larger social system (Hendry, 2001; Kim and Lee, 2012).

Considering how these researchers have described who stakeholders are, it appears that the lists of organisational stakeholders may be inexhaustible. This has contributed to the broad understanding of stakeholder theory (Clarkson, 1995; Shropshire and Hillman 2007). For this reason, when discussing stakeholder theory, many scholars have narrowed their discussion to 'primary stakeholders'. According to Hillman and Keim, (2001) primary stakeholders are those who are indispensable to the organisation and to which the organisation owes its continued existence. These primary stakeholders are employees, customers, suppliers, community residents, government, and the natural environment (Hillman and Kiem, 2001; Freeman, 1984). The way the organisation interacts with these stakeholders is described as a web of interdependent relationship or simply stakeholder relations (Post et al., 2002). Maintaining sound stakeholder relations brings benefit to the organisation. For example, Hillman and Keim (2001) highlighted some advantages of maintaining a healthy relationship with primary stakeholders. They noted that good stakeholder relations increases customer or supplier loyalty, improves firm reputation, increases employee performance and so on. Considering the list of stakeholders identified by Hillman and Keim (2001) and Freeman (1984), the role of the society or the community as a stakeholder cannot be undermined. According to Gray et al. (1995), the society bestows on an organisation the right to exist. This society also retains such right as long as the activities of the organisation are congruent with the interest of the society (Dowling and Pfeffer, 1975; Lindblom, 1994). If the organisation acts otherwise, such rights could be revoked (Deegan, 2002). For this reason, the duty of an organisation to service the interest of the society is what is described as corporate social responsibility (CSR) (Carroll, 1991; Kakabadse et al., 2006). Even though CSR has been used as a conceptual foundation for stakeholder theory, the concept was not developed by stakeholder theorists. CSR is used to explain what responsibilities a business organisation ought to fulfil towards the society while

stakeholder theory is used to identify to whom the company is accountable (Kakabadse et al., 2006). This makes these concepts interrelated, and it has aided the understanding of different categories of stakeholder groups which are primary and secondary stakeholders. As previously stated, primary stakeholders are those whom the corporation owes its continued existence while secondary stakeholders are those whom the corporation can still survive.

According to Donaldson and Preston (1995), companies need to maintain good relations with stakeholders for two main reasons. First, demands of stakeholders have intrinsic value because the company has the responsibility of meeting the legitimate claims of stakeholders. This is considered as the normative approach. Second, addressing the demands of influential stakeholders can improve a company's profitability. This is the instrumental approach of stakeholder theory. Considering these main reasons, Donaldson and Preston (1995) proposed three types of stakeholder theory: normative, instrumental, and descriptive. The normative stakeholder theory is used to identify the function of a corporation by using moral or philosophical guidelines on how the management of a corporation should behave or manage stakeholders (Donaldson and Preston, 1995; Phillips et al., 2003). The descriptive stakeholder theory is used to describe or explain specific corporate characteristics (i.e. of firms or managers) of behaviours (Donaldson and Preston, 1995). As for instrumental stakeholder theory, it is based on the notion that if corporate organisations adhere to certain stakeholder principles and practices, there is a likelihood of achieving corporate objectives and performance (Donaldson and Preston, 1995). In sum, these perspectives of stakeholder theory were applied in such a way that it describes the behaviour of a firm and its managers. Regarding how stakeholder theory describes firm behaviour, Freeman and Evans (1990) proposed the application of stakeholder theory to corporate governance. Using the contractual economic theory as an analytical framework to examine the variety of organisational stakeholders, Freeman and Evans (1990) placed corporate governance centrally within the modern theory of a firm. Freeman and Evans

(1990) referred to the contractual view of a firm as a powerful analytical device used to cater for the multiplicity of stakeholders interests in a modern corporation. Using Williamson's (1984) innovative schema, Freeman and Evans (1990) described the firm as a mechanism of corporate governance used for a set of contracts between a firm and its stakeholders. However, considering the multiplicity of stakeholders, it is useful to note that there are a variety of corporate governance mechanisms to different stakeholders of a firm (Farquhar, 2011).

Despite the attempts of researchers as Freeman and Evans (1990), there is a limited body of literature that has applied stakeholder theory to corporate governance (Farquhar, 2011). The more prominent of these is the aspect that has to do with allowing stakeholder directors on boards (Hillman et al., 2001). Similar to the resource dependence view, stakeholder theorists propose that when organisational stakeholders are represented on corporate boards, they can provide valuable resources to the firm (Hillman et al., 2000). Such resources are made accessible due to stakeholders' business (such as customers, suppliers, and creditors) and non-business (government officials, academics, and community representatives) relationships to the firm (Ayuso and Argandona, 2007; Luoma and Goodstein, 2009). Stakeholders' representation on corporate boards has been classified as one of the service roles boards carry out (Boeker and Goodstein, 1991; Freeman and Reed, 1983; Wang, 1991). Within the stakeholder context, corporate boards perform four main service roles which are co-opting of external resources, establishing business and non-business contacts, enhancing the organisation's reputation (i.e. CSR), and giving advice to the organisation (Mintzberg, 1983: 81-86). Where agency and stewardship theories of corporate governance have the primary goal of increasing shareholder wealth, stakeholder theory contends that the role of the board is to serve the interests of the multiplicity of stakeholders through stakeholder representation on boards (Donaldson and Preston, 1995; Hillman et al., 2001; Phillips et al., 2003). According to Ayuso and Argandona (2007), there has been a small amount of literature that has considered the performance effects of

stakeholder representation on corporate boards. However, some studies have confirmed the positive link between stakeholder management and shareholder value (e.g. Hillman and Keim, 2001; Waddock and Graves, 1997). Where there are a handful of studies that have considered the impact of stakeholder representation on corporate boards and firm performance, studies such as Johnson and Greening (1999) and Hillman et al. (2001), have shown its impact on performance. For example, Johnson and Greening's (1999) study of stakeholder representation on boards showed a positive influence on the social performance of a firm. Also, Hillman et al. (2001) analysed 3268 board members representing 250 companies and found that the presence of stakeholder directors is positively associated with stakeholder performance. Considering the potential positive impact stakeholders' value has on firm performance and shareholders' wealth, stakeholder theorists recommend a stakeholder representation on corporate boards. The inclusion of stakeholders on corporate boards serves as a formal mechanism for highlighting their importance of corporate boards to the firm (Cyert and March 1963; Mitchell et al., 1997). This also indicates the power of stakeholders as they form a dominant part of the firm.

2.2.4.1 Stakeholder Theory-Summary

Stakeholder theory is centred on maximising the welfare of the stakeholders of an organisation. These stakeholders are diverse participants with incongruent objectives that have a stake or are linked to the organisation. In order to achieve firm performance, stakeholder theorists recommended that a firm must establish good stakeholder relations. In light of this recommendation, three types of stakeholder theories are highlighted, which are normative, descriptive, and instrumental stakeholder theories (Donaldson and Preston, 1995). Normative stakeholder approach has to do with how an organisation relates with its stakeholders based on moral guidelines or principles, rather than using stakeholders to maximise profits solely. The descriptive stakeholder approach is used to explain how certain corporate characteristics can facilitate firm performance, and instrumental stakeholder theory is used to identify the link between stakeholder management (e.g. CSR) and the

achievement of a traditional corporate objective or financial performance. Given the role of the firm in catering for the multiplicity of stakeholders, stakeholder theorists recommend stakeholder representation on corporate boards (Hillman et al., 2001). Stakeholder theorists argue that stakeholder representation on a corporate board can facilitate firm performance. Where there is some empirical research that has tested this prescription, a positive relationship between stakeholder representation and firm performance has been published (e.g. Johnson and Greening, 1999; Hillman et al., 2001).

2.3 Traditional Corporate Governance Theories on Boards- Summary

This chapter has reviewed the primary theories of corporate governance that have commonly offered recommendations on the roles of corporate boards and how their composition and structure leads to better corporate performance. Agency theorists described the primary role of the board to be the monitoring and control of management (Jensen and Meckling, 1976; Eisenhardt, 1989). Other theories such as stewardship theory, resource dependence theory, and stakeholder theory have identified the strategic, resource provision and service, and the service roles of board respectively (Donaldson and Davis, 1991; Davies et al., 1997; Donaldson and Preston, 1995; Hillman and Keim, 2001). Where none of these theories have been able to capture the roles of corporate boards in their entirety, research in this tradition has been criticised for the lack of empirical support for their proposed link between board structure and composition (Dalton and Dalton, 2011; Dalton et al. 1998; Dalton et al., 2008; Dey et al., 2009). Due to this, there has been a call for alternative theorising in the research of corporate boards and what makes them more effective (Dalton et al., 2003; Davis, 2005; Gabrielsson and Huse, 2004; Huse, 2003; Van Ees, 2009b). To better understand the dynamics of decision-making in the boardroom and what conditions facilitate effective corporate governance, a growing number of studies have examined behavioural processes (e.g. Pettigrew and McNulty, 1995; Huse, 1998; Westphal, 1998; Zajac and Westphal, 1998; Forbes and Milliken, 1999; McNulty and Pettigrew, 1999; Rindova, 1999; Westphal, Seidel and Stewart, 2001). In line with this, Forbes and Milliken (1999) argued

that research on structure/composition and performance has been inconclusive because it has failed to consider mediating processes or, in the words of Lawrence (1997), it treated boards as a 'black box'. Pettigrew (1992) also made similar arguments against board composition and structural studies of corporate governance. Considering these arguments, the following section will review behavioural perspectives on boards which have sought to open the hitherto 'black box'.

2.4 Behavioural Perspectives on Boards

Traditional perspectives on boards offered a stylized view of boards by analysing the link between board characteristics and firm performance, using mainly archival data (Van Ees et al., 2009b). As discussed in the previous sections, the empirical research on boards in this mainstream tradition so far have offered conflicting and ambiguous results leading to the call for an alternative direction to examining boards and governance (Davis and Useem, 2002; Daily, Dalton and Cannella, 2003; Huse, 2003; Gabrielsson and Huse, 2004). In line with these calls, a number of researchers have emphasised the importance of studying actual board behaviours and boardroom dynamics in the quest to further understand what constitutes effective boards (Forbes and Milliken, 1999; Huse, 1998; Pettigrew and McNulty, 1995; Westphal, 1998; McNulty and Pettigrew, 1999; Westphal, Seidel and Stewart, 2001; Westphal, 1999; Zajac and Rindova, 1999). These behavioural studies of the board and governance cut across different disciplines and research traditions with the application of different methodologies (Huse, 2005; van Ees et al., 2009b). In an attempt to synthesise or integrate these behavioural frameworks for a future research agenda on corporate governance, van Ees et al. (2009b) developed the behavioural theory of boards based on an emerging stream of studies that argue that boards are concerned with the complexity and uncertainty associated with their role in strategic decision-making (McNulty and Pettigrew, 1999; Rindova, 1999; Roberts, McNulty and Stiles, 2005). Behavioural theory of boards was developed by van Ees et al. (2009b) mainly for two reasons. The first is that there are behavioural assumptions regarding boards that are unquestioned (Pettigrew, 1992; Rindova,

1999), and a majority of empirical studies infer but do not examine board interactions and decision-making processes. The second is to revitalise concepts such as bounded rationality, satisficing behaviour, and routinisation of decision-making that are rarely explicitly addressed in the economic theorising on boards. How these concepts are applied to boards will be discussed in the next section.

2.4.1 Behavioural Theory of Boards

The introduction of ‘the behavioural theory of boards’ was to develop an alternative theory of boards which takes its cue from the ‘the behavioural theory of the firm’ by Cyert and March (1963). When developing the behavioural theory of the firm, Cyert and March’s intent was ‘to open the black box of the internal workings of organisations’ (Argote and Greve, 2007: 344), just as the behavioural theory of boards was trying to shed light on the ‘black box’ of boards. The behavioural theory of the firm was used to shed understanding on organisational behaviour and decision-making (Argote and Greve, 2007; van Ees et al., 2009b). The behavioural theory of the firm was built on the concepts of bounded rationality, satisficing, problematic search, the routinisation of decision-making in standard operating procedures, and the dominant coalition (Argote and Greve, 2007). The first concept, i.e. bounded rationality, refers to the limitation of decision-makers to process information and solve complex problems (Cyert and March 1963). According to Greve (2003), rationality is costly, and its application to solving complex problems requires considerable cognitive effort. The second concept which is satisficing refers to the behaviour of decision-makers in making a decision that is good enough instead of seeking an optimal solution to cater for their current most important needs (Hendry, 2005; Van Ees et al., 2009b). According to Van Ees et al. (2009b), decisions made may not be the optimal solution to problems; however, they reflect solutions that satisfy a particular aspiration level. Routinisation of decision-making is the third concept, and this is when decision-makers operate based on routines built over time (Zahra and Filatotchev, 2004). Routines of decision-making could also be referred to as performance programmes (March and Simon, 1958) or standard operating procedures

(Cyert and March, 1963). According to Cyert and March (1963), these routines are the synopsis of knowledge, experience, beliefs, values, and capabilities of decision-makers within an organisation. The fourth concept is more recent, and it was addressed in relation to stakeholder expectation of boards (Huse and Rindova, 2001). This links the concept of the dominant coalition, and it refers to the coalition of actors or stakeholders of a firm. Cyert and March (1963) defined the concept of the dominant coalition as a complex political system with agents organised in coalitions and sub-coalitions.

Despite the usefulness of the behavioural theory of the firm in understanding how decisions are made in an organisation, few studies have applied or included this in the research of boards and corporate governance (Van Ees et al., 2009b). One of the few studies that has done so is Van Ees et al. (2009b) who used the 'behavioural theory of the firm' to develop the behavioural theory of boards. Van Ees et al. (2009b) applied the four concepts from the behavioural theory of the firm but tailored to the context of the board. Van Ees et al. (2009b) highlighted these concepts as important because they help in the understanding of board behaviours and are useful for issues of problem-solving within and outside the boardroom's principles of decision-making, goal formation, and conflict resolution (Osterloh and Frey, 2004; Rindova, 1999; Van Ees et al., 2009b). For example, the satisficing concept was applied to boards in a way that redirects research on decision-making role of boards. This application to boards could enhance the understanding of how board members focus on tasks and duties in an organisation, in a way that facilitates sustained intrinsic motivation (Osterloh and Frey, 2004). Other concepts, such as bounded rationality, domination of coalitions and routinisation of decision-making, could help researchers to understand styles of problem-solving of boards and how board members deal with the complexity of information to aid decision-making (Van Ees et al., 2009b). According to Rindova (1999), the concepts could help board members to cope with uncertainty through a reduction in the complexity of information, simplification of routines, and structuring of information through board members' perceptual filters and pre-existing structures. Also,

these concepts could be used to analyse problem-solving inside and outside the boardroom, giving insight into specific board behaviour and decisions (Van Ees et al., 2009b; Rindova, 1999). Furthermore, the concepts help with the setting of goals and resolution of conflict within boards, therefore, placing primary focus on the roles and the position of boards in organisational decision-making instead of performance outcomes (Van Ees et al., 2009b).

2.4.2 Input-Process-Output Approach to boards

Apart from the behavioural theory of boards, there is another stream of research that has sought to investigate actual board behaviours and interactions. Perhaps one of the most influential studies here is the conceptual paper by Forbes and Milliken (1999). Based on Frances Milliken's background in small team/organisational group research (Milliken and Vollrath, 1991; Milliken and Martins, 1996), they applied the logic from input-process-output studies in teams to the specificities of the context of corporate boards.

After noting the lack of consensus in the studies of board characteristics and performance outcomes, Forbes and Milliken (1999) proposed that researchers should explore a more precise way of studying board characteristics by accounting for the role of intervening board processes. The consideration of these intervening processes constitutes the main theme by researchers who called for the opening of the intermediating 'black box' of actual board behaviour (Daily et al., 2003; Forbes and Milliken, 1999; Huse, 2005; Gabriellsson and Huse, 2004; Pettigrew, 1992; Pye and Pettigrew, 2005). To study mediating processes in the relationship between board characteristics and performance outcomes, Forbes and Milliken (1999) took as their starting point studies that examined the effectiveness of small teams and work groups and applied it to boards. Forbes and Milliken (1999) stated that boards qualify as groups in that they are an 'intact social system that performs one or more tasks in an organisational context' (Bettenhausen, 1991: 346). Nevertheless, boards are different to other teams in insofar as they constitute 'large, elite, episodic decision-making groups that face complex tasks regarding strategic issue

processing' (p. 492). Because of these specificities, Forbes and Milliken (1999) argued that boards more than any other team are prone to process losses, and thus knowledge of board processes and behaviours is pivotal in understanding what makes boards effective.

Forbes and Milliken (1999) highlighted four main reasons for studying boards. These reasons are that: (1) there is an increasing need to give attention to boards as regard what they do, (2) it is necessary to legally scrutinise the activities of boards, (3) the growing competitive market for corporate control, and (4) the need to go beyond structural or demographic research on boards (Forbes and Milliken, 1999; Pettigrew, 1992). Since prior research on board structure/composition did not produce convincing evidence for understanding board effectiveness, the need to focus on actual board behaviours and board processes was highlighted (Forbes and Milliken, 1999; Daily and Schwenk, 1996; Zahra and Pearce, 1989). Forbes and Milliken (1999) established from their review of prior studies that the structure-performance relationship is not as simple as it is being depicted in the literature on board composition and structure. For this reason, it is imperative to study board behaviour alongside board demographics or structure so as to account for the intervening roles of board processes (Forbes and Milliken, 1999).

In sum, Forbes and Milliken (1999) developed an alternative approach to boards by drawing on small team and workgroup literature. They developed a conceptual model of board processes in order to understand what makes boards more effective, and focused especially on cognitive dimensions. They described this as the input-process-output model (Barrick et al., 2007; Gist et al., 1987; LePine et al., 2008). The next section will summarise the key ideas within the board process literature before moving on to a discussion of specific board processes.

2.5 Boards Processes: Meanings and Use in Board Models

According to Bailey and Peck (2011), board processes are defined as the interactions of team members in making strategic decisions which include activities such as

how board members gather, share, and use information, build knowledge and make decisions. Similarly, Ong and Wan (2001) described board processes as mainly the decision-making activities of directors of companies. Also, Dulewicz et al. (1995) interpreted board processes to be the organising and running of a corporate board to accomplish corporate objectives. Board processes are necessary for achieving board goals or tasks (Mathieu et al., 2008). Most scholars view such processes as being dependent on or related to social-psychological factors such as team participation, critical discussion, and exchange of information (Forbes and Milliken, 1999). Ongoing research has identified potential board processes. For example, Forbes and Milliken (1999) identified three key processes that could enable boards to achieve effectiveness and their full potential as a strategic decision-making group. These processes are cognitive conflict, effort norms, and the use of knowledge and skills. Subsequently, other scholars such as Zona and Zattoni (2007) have tested and expanded Forbes and Milliken's (1999) theoretical research and found that these processes explain how boards perform their tasks. Over the years, more processes have been identified and researched, including trust (Van Ees et al., 2008; Farquhar, 2011; Huse and Zattoni, 2008), effort norms (Forbes and Milliken, 1999; Wan and Ong, 2005; Zona and Zattoni, 2007; Minichilli et al., 2012), cohesiveness (Huse, 2007; Isbella and Waddock, 1994; Levrau and Van den Berghe, 2007; Ong and Wan, 2001), use of knowledge and skills (Forbes and Milliken, 1999; Zona and Zattoni, 2007; Minichilli et al., 2009, 2012; Bankewitz, 2016) and conflict (Stiles and Taylor, 2001; Zona and Zattoni, 2007; Walker et al., 2015; Minichilli et al., 2012).

Extant studies have operationalised and tested these board processes in a variety of ways especially in relation to board performance outcomes (board tasks). Researchers who have investigated board processes have found them to have greater explanatory power than board structural/compositional variables in explaining board performance (e.g. Minichilli et al., 2012; Zona and Zattoni, 2007; Zattoni, Gnan, and Huse, 2015). While research on board processes is still ongoing, there is still a gap within literature concerning what triggers

these processes in the boardroom, i.e. the determinants of board processes. This research contributes to ongoing knowledge on how board processes facilitate board effectiveness by investigating the determinants of these processes. The objective of this following section is illustrated below in Figure 2.1, which is to present a review of previous studies on board processes and to identify the determinants of these processes by drawing on team and boards' literature.

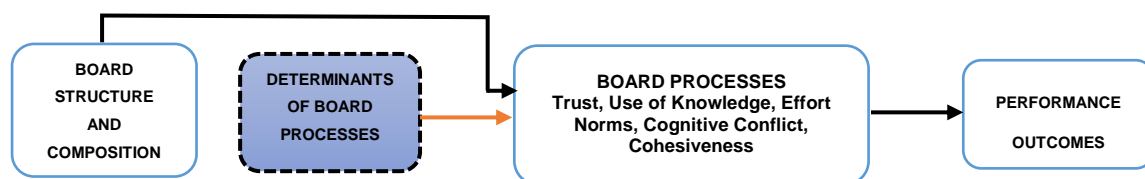


Figure 2.1 Review of the determinants of board processes

The aim is to review the meaning of these processes (also using insights from the small team literature), how extant studies on boards have related these to performance outcomes (board task performance) and what, if any, determinants have been investigated by scholars.

2.5.1 Use of Knowledge and Skills

According to Hackman and Morris (1975) and Forbes and Milliken (1999), the use of knowledge and skills refers to the ability of board members to utilise and apply available knowledge and skills to required board tasks. In this definition, the use of knowledge and skills is when the knowledge and expertise of a board are extracted and coordinated towards achieving board tasks. Finkelstein and Mooney (2003) similarly defined the use of knowledge and skills as the integration of individual director's skills and knowledge through delegation of duties to match members' capabilities. Before the use of knowledge and skill, there must be a smooth flow of information between directors (Finkelstein and Mooney, 2003; Zona and Zattoni, 2007). Wageman (1995) and Zona and Zattoni (2007) stated that the ability of a group, such as boards to be able to extract individual knowledge and skills, is important because this is a criterion for the effectiveness of any work group or team.

According to Minichilli et al. (2012) and Zona and Zattoni (2007), before a board can be effective, the board must be able to actively use and integrate the variety of expertise and skills present for the benefit of group decisions. This is consistent with Forbes and Milliken (1999) who stated that the use of knowledge and skill might prevent process losses within boards.

The use of knowledge and skills within boards has been examined to find out if it enables directors to carry out their tasks effectively. In Zona and Zattoni (2007), the impact of the use of knowledge and skills was tested on board task performance. They found that the use of knowledge and skills significantly influenced board service and networking task performances. Also in Wan and Ong's (2005) research into the relationship between board processes and board task performance, they found a positive relationship between the use of knowledge and skill alongside other board processes and board performance (i.e. monitoring, service and strategy formulation tasks). Where Minichilli et al. (2012) found no interaction between the use of knowledge and skills and control and advisory board tasks, they still acknowledged the importance of this board process. They stated that the active use and integration of board members' abilities did have benefits. Contrary to the findings of Minichilli et al. (2012), similarly, Zattoni et al. (2015) found that the use of knowledge and skills has a significant positive impact on boards' advisory and control tasks.

Where it has been established from empirical studies that the use of knowledge and skills facilitates certain board task performances, studies that have examined what triggers the use of knowledge and skills in the boardroom are sparse. In order to identify what triggers the use of knowledge and skills, it is good to revisit Forbes and Milliken's seminal paper. In the paper, Forbes and Milliken (1999) posited that there must be the 'presence of knowledge and skills' before its usage is possible. They used two separate constructs to buttress this point (i.e. the presence and use of knowledge and skills). According to Forbes and Milliken (1999), the presence of knowledge and skills within boards could be either 'functional' or 'firm-specific'. The presence of functional knowledge and skills refers to the

expertise of a board member that touches a variety of disciplines and areas that relate a firm to its environment (e.g. financial, technical or firm-specific knowledge, law and so on). The presence of firm-specific knowledge and skill refers to the ability to know how the firm operates as well as other internal management areas associated with a firm. This skill is important because it helps in strategic decision-making within boards (Forbes and Milliken, 1999). In Wan and Ong's (2005) study, when testing for the presence and use of knowledge and skills, they adopted the measurement scale of Dulewicz et al. (1995). According to them, the only way to test for the presence of knowledge and skills within a board is to examine the perception of boards on result orientation, strategic and analytical thinking. However, Kaczmarek et al. (2012) in their research measured functional knowledge and experience of a board member by individual qualification of boards and identifying how long each member has served as a board member. This classification of the presence of knowledge and skills falls within Forbes and Milliken's (1999) function and firm-specific classifications. Researchers who have investigated the impact the use of knowledge and skill has on board tasks performance have measured the variable in different ways. For example, where Kaczmarek et al. (2012) used the qualifications and functional knowledge of board members to operationalise the use of knowledge and skills in their model, Zona and Zattoni (2007) used the alignment of directors' knowledge to their responsibilities. In Wan and Ong (2005), they used the same measures as Dulewicz et al. (1995) to capture the use of knowledge and skills. The measures used in these studies are the strategic perception of board members' abilities, their analytical thinking, and their result-oriented perspectives. Despite the similar but differentiated ways of operationalising the use of knowledge and skills, hardly has any of these studies referred to these measures as the determinants of the use of knowledge and skills. Although these studies' measures are consistent with Forbes and Milliken (1999), who argued that before the use of knowledge and skills, there must be the presence of knowledge and skills. Therefore, one may conclude that the determinants of the use of knowledge and skills are firm specific and functional presence of knowledge and skill which

may include board members' analytical thinking, abilities, and result-oriented perspectives (Dulewicz et al., 1995; Kaczmarek et al., 2012).

To sum up, the use of knowledge and skills is the integration of individual director's skills and knowledge through delegation of duties to match members' capabilities (Forbes and Milliken, 1999) and it has also been found to facilitate certain board effectiveness significantly. Specifically, the use of knowledge and skill has been found to enable the board of directors to carry out their advisory, control, service, networking, and strategic tasks (Wan and Ong, 2005; Zona and Zattoni, 2007; Zattoni et al., 2015). In a consistent way with Forbes and Milliken's (1999) arguments about what leads to the use of knowledge and skills, how the use of knowledge and skills have been operationalised in board research suggest its determinants to be the presence of knowledge and skills which may include a wide range of skill that will enable board members to carry out their tasks effectively.

2.5.2 Effort Norms

Effort norms is another board process that was identified by Forbes and Milliken (1999). Drawing on Wageman (1995), Forbes and Milliken (1999: 493) defined effort norms as a 'group-level construct that refers to the group's shared beliefs regarding the level of effort each is expected to put towards a task'. Forbes and Milliken (1999) suggested that strong effort norms can enhance group performance. Similarly, Zona and Zattoni (2007: 855) defined effort norms as a process within boards that specifically has to do with the 'board's shared beliefs on the level of effort a board is expected to work towards'. The presence of effort norms in teams in teams such as boards is imperative to their performance (Forbes and Milliken, 1999; Zona and Zattoni, 2007). For example, researchers such as Lorsch (1989) and Mace (1970) found in their studies that poor performing boards are associated with their lack of effort. Similarly, Forbes and Milliken (1999) and Zona and Zattoni (2007) argued that the effectiveness of directors in accomplishing tasks could be enhanced by the presence of a strong effort norms. The researcher has suggested that board effort norms can

impact on how tasks (service, monitoring, strategy, control, and networking tasks) are accomplished (Gabrielsson and Winlund, 2000; Huse, 2005; Roberts et al., 2005; Wan and Ong, 2005; Zona and Zattoni, 2007). For example, Zona and Zattoni's (2007) empirical research discovered a significant positive relationship between effort norms and monitoring, service, and networking tasks. In a similar vein, Minichilli et al. (2012) and Wan and Ong (2005) found that effort norms are imperative to the accomplishing of control, advisory, service and strategic board tasks. In more recent studies, researchers such as Heemskerk et al. (2014) and Zattoni et al. (2015) similarly found that effort norms positively impacts the ability of boards to carry out their strategic, advisory and control tasks. These findings are consistent with the Forbes and Milliken's (1999) arguments that strong effort norms enhance the individual efforts of board members which in turn enhance monitoring and service roles of workgroups. Based on the presented empirical findings that highlights the importance of effort norms, it is possible to infer that boards will benefit from the positive effect of effort norms, if they actively participate in discussions and support in the implementation of board tasks while using their individual skills to benefit the board (Gabrielsson and Winlund, 2000; Pye and Pettigrew, 2005; Roberts et al., 2005; Stiles and Taylor, 2001). Effort norms could also mean that they spend more time together accomplishing their tasks so as to increase the degree of their contributions to strategy formulation, control of management behaviour, and critical assessment of their resources (Zona and Zattoni, 2007).

The determinants of effort norms within boards can be deduced from Wan and Ong's (2005) research. Wan and Ong (2005) identified two main factors that facilitate effort norms in the boardroom. The first is board 'meeting frequency'. By meeting intensity, they implied the number of meetings held or the number of productive time board members spend with each other during these meetings. The second is 'general efforts' of board members. By general efforts, Wan and Ong (2005) referred to the efforts board members put into going through the information carefully before meetings and their feeling of being responsible for the work that needs to be done. Some researchers have also identified board structural

variables that could trigger effort norms in the board. For example, Wan and Ong (2005) stated that when there is CEO duality on board, it can lead to lower levels of effort norm and other processes. This was consistent with Jensen's (1993) argument who noted that time and effort spent on board meetings is not necessarily useful because CEOs always set agendas before the commencement of meetings. Wan and Ong (2005) also suggested that the presence of outsiders on boards could also enhance effort norm. When executive directors are aware of the presence of non-executives, they are motivated to contribute more effort towards the performance of the board. These claims made by Wan and Ong (2005) were consistent with their empirical findings. They found the presence of CEO-duality to negatively impact on the effort norms of directors, while a larger proportion of outside directors had a positive impact.

In sum, effort norms are the shared beliefs regarding individual expectations of teams or board members (Forbes and Milliken, 1999). Empirical research shows that effort norms enable board members to effectively carry out their monitoring, service, advisory, networking, and strategic roles (Minichilli et al., 2012; Wan and Ong, 2005; Zona and Zattoni, 2007). As for the potential determinants of effort norms in the boardroom, these are the general efforts of board members, board meeting intensity, CEO-duality, and the proportion of outside directors (Jensen, 1993; Wageman, 1995; Wan and Ong, 2005).

2.5.3 Cohesiveness

There have been debates on whether cohesiveness is a team process or a team outcome. Forbes and Milliken (1999: 493) stated that 'board cohesiveness captures the affective dimension of board members' inclusion on board which reflects on the ability of boards to continue working together as team'. By this statement, Forbes and Milliken (1999) saw cohesiveness as an outcome; however, there have been other researchers who have described cohesiveness as a process (e.g. Beal et al., 2003; Guth and MacMillan, 1986; Isabella and Waddock, 1994). For the purpose of this section, cohesiveness will be treated

as a board process, an activity amongst others that facilitates decision-making (Ong and Wan, 2001). According to Summers et al. (1988), board cohesiveness is when board members are attracted to each other and are motivated to remain on the board. Similarly, Beal et al. (2003) described cohesiveness as an interpersonal attraction among board members or workgroups, group pride, and task commitment. Beal et al. (2003) explained that the presence of cohesiveness within groups facilitates group members' motivation and members are easily inclined to work together in a coordinated way to achieve higher levels of performance. For this reason, cohesiveness in teams such as boards is said to influence the effectiveness in carrying out their roles or tasks (Beal et al., 2003; Gully et al., 1995; Mullen and Copper, 1994). Regarding the relationship between cohesiveness and board task performance, Forbes and Milliken (1999) suggested a significant curvilinear relationship between these two variables because boards are charged with complex and interactive tasks, and the degree of interpersonal attraction between board members is likely to influence the way they carry out their tasks effectively. For example, carrying out control and service tasks require that board members engage in extensive communication and deliberations, and for them to do this effectively, members must have a minimum level of personal interaction for themselves (Forbes and Milliken, 1999). Trust, and the perception of board members' abilities is another factor of cohesiveness that was identified by Forbes and Milliken (1999).

Considering the relationship between team cohesiveness and performance, it is useful to note that empirical literature has shown inconsistency in the findings. Beal et al. (2003) revealed such inconsistency in their findings and concluded that it is difficult to analyse the relationship between team cohesiveness and performance. According to Beal et al. (2003), one of the major factors that has contributed to this are the varied ways of conceptualising group cohesiveness and performance. For example, many researchers have measured cohesiveness as an individual perception of the group in relation to aspects of performance (Beal et al., 2003). Considering the ambiguity in the relationship between

cohesiveness and performance, some researchers (cf. Evans and Dion, 1991; Gully et al., 1995; Mullen and Copper, 1994) have carried out a meta-analysis to identify situations where the effect of cohesiveness is stronger or weaker. In spite of strong theoretical expectations of a positive relationship between cohesiveness and performance (Cartwright, 1968; Shaw, 1971), it has been found that the relationship between cohesiveness and performance lacks clarity (Evans and Dion, 1991; Gully et al., 1995; Mullen and Copper, 1994). These studies were conducted in the context of teams or groups. In boards, to date, there have been sparse empirical studies that have investigated cohesiveness in them and how they impact on task performance. This makes a confident empirical validation of the claims that cohesiveness facilitates board task performance.

In identifying what leads to team cohesiveness, Beal et al. (2003) identified three components of cohesiveness, i.e. interpersonal attraction, group pride, and task commitment. Beal et al. (2003) found in their research that these components of cohesiveness all relate to team performance. Forbes and Milliken (1999) also identified communication, trust, and the perception of board members' abilities as factors that could influence board cohesiveness. Some researchers have identified compositional variables such as board size and diversity as a facilitator to board cohesiveness. For example, Sah and Stiglitz (1991) and Eisenberg et al. (1998) found in their research that larger boards that are characterised by diversity lack cohesiveness. Also, in Amason (1996); Pelled et al. (1999); Smith et al. (1994) and Williams and O'Reilly's (1998) findings in the context of management teams, the heterogeneity of team members due to larger sizes reduces cohesiveness. Based on these identified empirical studies, larger boards and the presence of diversity could be associated with lower levels of board cohesiveness. Halebian and Finkelstein (1993) similarly found a negative relationship between top management team size and cohesiveness. From these empirical studies, it is possible to conclude that the determinants of cohesiveness are task commitment, interpersonal attraction, group pride, board size, and diversity.

In sum, cohesiveness in teams or boards refers to a shared interpersonal attraction, which is demonstrated by the ability to continue working together as a team (Forbes and Milliken, 1999). Although the relationship between cohesiveness and performance is suggested, the empirical studies available, especially in teams, remains unclear (Evans and Dion, 1991; Gully et al., 1995; Mullen and Copper, 1994). In boards, empirical literature regarding board cohesiveness and board task performance is scarce. Regarding what triggers cohesiveness, team and board researchers have identified commitment to task, interpersonal attraction, group pride (Beal et al., 2003; Mullen and Copper, 1994), communication, perception of board members' abilities, trust (Forbes and Milliken), board size and diversity (Pelled et al., 1999; Sah and Stiglitz, 1991) as determinants. It would be interesting to subject these determinants to empirical testing in the context of corporate boards to see how they contribute to the cohesiveness of board members (as a process) and how they impact on board task performance.

2.5.4 Cognitive and Affective Conflict

Conflict is commonly classified into cognitive and affective dimensions (Amason, 1996; Jehn, 1995; Li and Hambrick, 2005; Pelled, 1996). Cognitive conflict is defined as 'task-oriented conflict which focuses on judgemental differences about how to achieve common objectives' (Amason, 1996; 127). In other words, cognitive conflict is a task-oriented conflict (see also Jehn and Mannix, 2001; Langfred, 2007; Minichilli, 2012; Pelled, 1996; Zona and Zattoni, 2007). During the process of cognitive conflict, there is an exchange of ideas, rigorous brainstorming for solutions, and the sharing of various perceptions of the solution in achieving board tasks (Forbes and Milliken, 1999; Dutton and Jackson, 1987; Watson and Michaelson, 1988). Cognitive conflict creates an open debate, fosters the asking of critical questions, and giving directors of a board an opportunity to openly express personal judgements or viewpoints (Stiles and Taylor, 2001; Jehn and Mannix, 2001; Simon et al., 1999; Zona and Zattoni, 2007). When cognitive conflict occurs between directors, it creates an intense desire to harness external resources due to its rigorous style (Zona and

Zattoni, 2007; Hillman and Dalziel, 2003; Pfeffer and Salancik, 1978). Additionally, cognitive conflict facilitates achieving effectiveness during the process of making strategic decisions after scanning and interpreting the organisation's environment (Milliken and Vollrath, 1991). Empirical studies have tested the impact of cognitive conflict on teams and board performance. Some researchers have found a positive relationship between cognitive conflict and some board tasks. For example, Zona and Zattoni (2007) found a positive relationship between cognitive conflict and board task performance (i.e. monitoring and networking tasks). This is consistent with Forbes and Milliken (1999) who suggested that cognitive conflict could improve the performance of monitoring and networking tasks. In teams, Baron (1990) also found that task conflict positively impacts on performance. Eisenhardt et al. (1997) presented similar results in their study when they found that high cognitive conflict results in high performance, whereas low cognitive conflict within teams led to low performance. After arguing that cognitive conflict is crucial for board effectiveness (see Finkelstein and Mooney, 2003; Hambrick et al., 2008), Zattoni et al. (2015) found that cognitive conflict has a positive impact on board control and strategic task performance. Similarly, in Minichilli et al. (2012), the impact of cognitive conflict on board control and advisory tasks was investigated. The positive impact of cognitive conflict was found only on board control tasks.

As for affective conflict, it is defined as an emotional conflict which involves interpersonal incompatibilities, involving annoyance, mistrust and animosity (Amason and Schweiger, 1994; Li and Hambrick, 2005; Pelled, 1996). There has been empirical support for this description of affective conflict. For example, empirical studies testing the impact of affective conflict on performance have found a negative impact (e.g. De Dreu and Weingart, 2003; Gladstein, 1984; Langfred, 2007; Li and Hambrick, 2005; Wall and Nolan, 1986). Jehn (1995), when testing the impact of affective conflict on team effectiveness, found that affective conflict negatively impacts on team task performance. She explained further that affective conflict adversely impacts on teams' abilities. These findings are similar to that of

Baron (1991). Amason (1996) also found that affective conflict has a negative impact on decision quality within teams. Similarly, within boards, lower levels of affective conflict has been associated with a well-functioning board (Heemskerk, Wats, and Heemskerk, 2015). Heemskerk et al.'s (2015) findings are consistent with Farquhar (2011) who also found that affective conflict negatively impacts on board control tasks, but has no significant effect on the service role of boards. However, in Heemskerk et al.'s research, when board members avoid this form of conflict, it negatively impacts on board task performance (i.e. board control and service tasks) as it leads to cognitive blindness. Considering this, Heemskerk et al. (2015) suggested that a board of directors should manage affective conflict rather than avoid it completely.

Cognitive conflict is usually associated with effectiveness and performance and affective conflict is associated with poor performance. It is useful to note that these two types of conflict are often found to be correlated in studies measuring the impact of these forms of conflict (Simons and Peterson, 2000; Mooney et al., 2007). Examples of studies that have found a correlation between these two types of conflict are Amason and Sapienza (1997), Jehn, Northcraft, and Neale (1999), Mooney et al. (2007), Pelled, Eisenhardt, and Xin (1999), and Simons and Peterson (2000). These researchers found that there is a positive correlation between cognitive and affective conflict. The correlation between cognitive and relationship conflict creates a perspective dilemma regarding the impact of these conflicts in team or board performance. According to Simons and Peterson (2000), the reason for the correlation is because cognitive conflict is often confused for affective conflict and vice-versa. Also, when there is severe cognitive conflict, it often develops into affective conflict. Similarly, Mooney et al. (2007) revealed in their research that the presence of cognitive conflict could provoke affective conflict.

The literature on conflict can be used to unveil possible determinants of team/ board conflict. Some researchers have identified diversity as a determinant of both cognitive conflict and affective conflict. For example, Mitchell et al. (2008) identified functional diversity

to be a determinant of cognitive conflict. Functional diversity refers to board members with different backgrounds, divergent preferences, interpretations, and values. The presence of such diversity easily facilitates cognitive conflict. More so, Pelled et al. (1999) similarly identified diversity to be a determinant of cognitive conflict. They also found that multiple forms of diversity influence affective conflict. Additionally, Nielsen and Huse (2010) revealed 'a' demographic diversity variable as a potential determinant of both cognitive and affective conflict, i.e. the ratio of women on boards. Nielsen and Huse (2010) posited that women on boards influence a board's key processes which include conflict. They found that the proportion of women on boards positively affects board of director effectiveness. Apart from diversity, other researchers such as Dawes and Massey (2005, 2007) have also suggested communication as another determinant of conflict. They found that communication frequency and directionality strongly facilitates affective conflict. Personality traits and differences are other determinants of conflict identified in the empirical literature. In Walker et al. (2015), where personality traits were found to be a determinant of cognitive conflict, personality differences were seen to facilitate affective conflict. Task routines and the size of a team are other determinants of both cognitive conflict and affective conflict identified by Amason and Sapienza (1997) and Jehn (1995). To better understand the nature of cognitive and affective conflict, some researchers have summarised their determinants into three basic sets, i.e. team, task, and organisation (Calabrò et al., 2009). Team determinants of conflicts include team size, composition, and team diversity. Task determinants are complexity and task scope (Calabrò, Di Carlo, and Ranalli, 2009). As for organisational determinants, they include organisational norms and strategies. These classifications of the determinants of team/board conflict were also supported by the findings of Amason and Sapienza (1997), Jehn (1995), Pelled et al. (1999), and Mooney et al. (2007). Considering these identified determinants of cognitive and affective conflict, it is useful to note that these forms of conflict often share the same determinants (Mooney et al., 2007). This further buttresses why most researchers that have investigated both forms of conflict have found a correlation between cognitive and affective conflict. In view of this, it is possible to conclude that the determinants

of cognitive and affective conflict are team size, composition, and diversity (i.e. team conflict determinants), complexity and task scope (i.e. task conflict determinants), organisational norms and strategies (i.e. organisational conflict determinants), communication, personality traits, and task routines.

In sum, it has been identified that conflict is a bi-dimensional construct, i.e. cognitive and affective conflict. Cognitive conflicts are task-related conflicts, whereas affective conflicts are emotional conflict (Jehn, 1995; Li and Hambrick, 2005; Pelled, 1996). These forms of conflict have been investigated to see their impacts on board task performance. Cognitive conflict was found to enable boards to carry out their control, advisory, and strategic tasks effectively (Minichilli et al., 2012; Zattoni et al., 2015) while affective conflict was found to negatively impact board control and service task performance (Farquhar, 2011; Heemkerk et al., 2014). Studies have also shown that cognitive conflict and affective conflict are positively correlated in a way that one of these leads to the other. Researchers have described this as creating a perspective dilemma (Simons and Peterson, 2000; Mooney et al., 2007), suggesting that when there are higher levels of cognitive conflict, this could potentially escalate into affective conflict. Finally, in identifying the determinants of these forms of conflict, functional and demographic diversity (Mitchell et al., 2008; Pelled et al., 1999), communication (Massey and Dawes, 2005, 2007), and personal traits (Walker et al., 2015) have been found to be trigger factors.

2.5.5 Trust

Trust is often examined in an interpersonal relationship. When researchers attempt to define the concept of trust, they usually explain a dualistic relationship. This usually involves the decision of one person to trust (trustee) the other person (trusted) (Costa, 2003; Huff and Kelly 2003; Mayer et al., 1995; Whitener et al., 1998). This form of relationship could be perceived from how some researchers as Mayer et al. (1995) have defined trust. They defined trust as the 'willingness of a party to be vulnerable to the actions of another

party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party' (p. 712). Similarly, Costa (2003: 608) defined trust as a psychological state based on expectations, and on perceived motives and intentions of others, but also a manifestation of behaviour towards others. According to researchers such as Costa (2003) and Gillespie and Mann (2004), trust is a multi-dimensional construct, and it is usually classified as an individual-level and a team-level concept (De Jong and Elfring, 2010; Langfred, 2004; Simons and Peterson, 2000). The difference between these levels of trust will be elaborated on in the following Chapter 3: Research Model and Hypotheses. Other researchers such as Clarke and Payne (1987) and Mayer et al. (1995) amongst others have classified trust into cognitive and affective. Where cognitive trust is based on the belief of the trustworthiness of another, affective trust is the trust that is stimulated by emotions (Farquhar, 2011; Clarke and Payne, 1987; Mayer et al., 1995). Cognitive trust is knowledge driven with a need to trust based on a state of complete knowledge. Williamson (1993) described this form of trust as 'calculative trust'. As for affective trust, this is the confidence a person places on another person on the basis of feelings generated by the level of care and concern both parties exchange (Johnson and Grayson, 2005).

Despite these classifications of trust, most researchers who have investigated the impact of trust in teams have not independently examined how cognitive and affective trust impacts team effectiveness. Rather these researchers have described trust as a multi-component variable, while other researchers have referred to these components as the determinant of trust (e.g. Mayer et al., 1995; Colquitt et al., 2007). Before identifying these determinants and discussing this aspect of research in trust in the gritty, the impact of trust on team effectiveness derived from the empirical literature will be presented. Six (2004) described trust as a lubricant for social relations which improves efficiency. Considering this, it is proposed that trust can positively impact on team performance. Researchers such as Costa (2003), De Jong and Elfring (2010), Smith and Barclays (1997) and Mach et al. (2010)

have investigated the impact of trust on team performance as an outcome. For example, in Costa's (2003) study, trust was described as a multi-component variable, and it was found that trust and its components facilitate team effectiveness in terms of members' continued commitment to the team, task performance, and team satisfaction. Smith and Barclays (1997) similarly found a positive relationship between trusting behaviours and perceived trustworthiness with task performance using a different rationale that examined trust between selling partners. In De Jong and Elfring (2010), the impact of trust on the performance of ongoing teams was investigated. They found that trust had a positive impact on team performance. However, this relationship is mediated by some team processes. De Jong and Elfring's (2010) findings are similar to that of March et al. (2010) whose findings revealed that team members' trust has a direct and indirect effect on team performance. They also identified that the relationship is mediated by team player trust and team cohesiveness. Where there are some researchers who have considered the impact of trust on team performance, it is worth mentioning that research that has examined trust within boards is scarce (Farquhar, 2011). Amongst these few is Van Ees et al. (2008), and they found that trust had an adverse impact on the performance of a board's monitoring role.

Research on the determinants of trust is ongoing. Some of the researchers who have identified the determinants of trust in their research include Bijlsma and Van de Bunt (2003), Bierly et al. (2009), Costa (2003), Gladstein (1984), Kerkhof et al. (2003), Salas et al. (1992) and Sundstrom et al. (1990). For example, Butler (1991) identified a variety of determinants of trust by extending the key elements of trust proposed by Butler and Cantrell (1984). These elements are competence, integrity, consistency, discreetness, fairness, promise fulfilment, loyalty, availability, openness, receptivity, and overall trustworthiness. Butler (1991) described these elements as the conditions that the trusted party might be expected to fulfil. Mayer et al. (1995) found the determinants of trust to include trustworthiness, ability, benevolence, integrity, and the propensity to trust. These determinants of trust are similar to those Butler (1991), Costa et al. (2001), and Dietz and Den Hartog (2006) identified as key

determinants of trust. Considering these identified determinants of trust, it is noteworthy that there are different determinants of trust at an individual level and at a team level. The determinants of trust identified in these studies are usually classified as an individual-level determinant (see Costa, 2001, 2003; Colquitt et al., 2007; Mayer et al., 1995). At a team level, some of these determinants were also identified. The following chapter will fully discuss the difference between individual-level and team-level trust and their determinants. In sum, the commonly identified determinants of trust include competence, integrity, consistency, discreteness, fairness, promise fulfilment, loyalty, availability, openness, receptivity, and overall trustworthiness amongst others.

2.6 Summary of Chapter 2

The study of board structure and composition is a prominent stream of research that has considered how board and firm performance could be achieved (Daily et al., 2003; Dalton et al., 1999; Johnson et al., 1996). However, the board structural and compositional literature has failed to explain how input variables are converted to output or performance variables (Forbes and Milliken, 1999; Lawrence, 1997). This has led to the development of behavioural perspectives on boards (Forbes and Milliken, 1999). Behavioural perspectives on boards has provided an alternative lens for understanding what leads to board effectiveness or performance. Board processes that mediate between board input and output variables were identified in this review, as well as the gap in the research on board processes (Forbes and Milliken, 1999; Minichilli et al., 2012; Zona and Zattoni, 2007), specifically the lack of attention to the determinants of board processes. This led to the review of board and team literature in an attempt to identify potential determinants of board processes.

This research sets out to focus on trust and will investigate what can trigger trust in the boardroom (i.e. among board members) (Bierly et al., 2009; Costa et al., 2001; Gillespie and Mann, 2004). To do this, concepts from team literature will be applied to boards. The following chapter will explain in more detail why this research has

chosen to examine trust in the boardroom amongst other board processes. Trust as a team construct, and its determinants will be discussed. A model will be developed to explain the relationship between trust and its determinants. In view of this, the next chapter presents the hypothesised relationship between trust in the boardroom and the determinants of trust.

CHAPTER 3

RESEARCH MODEL AND HYPOTHESES

3.1 Introduction

As discussed in the previous chapter, research on board structure and board effectiveness have been criticised for its insufficient empirical support (Daily et al., 2003; Forbes and Milliken, 1999; Hermalin and Weisbach, 2003; Huse, 2005; Johnson et al., 1996; Pye and Pettigrew, 2005). Researchers such as Pettigrew (1992) highlighted this limitation and opened the 'black box' that ignited research on board processes and behaviours. In view of this, Forbes and Milliken (1999) developed a model that compared boards to work groups or teams. They described boards as a large episodic team whose output is cognitive. By this definition, Forbes and Milliken (1999) implied that social-psychological factors are triggered when board members work together to carry out their tasks. Those social-psychological factors refer to board processes. According to corporate governance scholars, board processes mediate between board structural inputs and performance outputs and they have a significant impact on board and firm effectiveness (e.g. Van Ees et al., 2008; Zona and Zattoni, 2007). Examples of such processes include trust (Dietz and Den Hartog, 2006; Van Ees et al., 2008), communication quality (Farquhar, 2011), effort norms (Forbes and Milliken, 1999; Wan and Ong, 2005; Zona and Zattoni, 2007), cohesiveness (Forbes and Milliken, 1999), and conflict (Stiles and Taylor, 2001; Zona and Zattoni, 2007; Zahra and Pearce, 1989) amongst others.

Despite the growing research on board processes, some processes have been under-researched especially in the context of UK boards (Farquhar, 2011). Also, studies that have examined the determinants of board processes are rare. However, these processes and their determinants have been extensively studied in team research. Just as Forbes and Milliken (1999) have applied concepts from team research to boards, the determinants of team processes will be applied to boards in this research. To do this, attention will be given to an example of an under-researched board process: 'trust'. Trust as a board process is

desirable of attention because it describes the social relationship present in the boardroom, especially when examining how other board processes emerge and how they lead to performance outcomes. More so, board processes are embedded in social relationships (Huse, 2005; Van Ees et al., 2008). This social relationship is characterised by types and degrees of trust (Brundin and Nordqvist, 2004; Huse, 2005). For this reason, trust as a board process requires further exploration. In view of this, trust and its determinants will be considered. A research model testing the relationship between the determinants of trust and trust in the boardroom will be developed (see Figure 3.1.). The components of this model are discussed in the following sections.

Figure. 3.1The Model of the Determinants of Trust

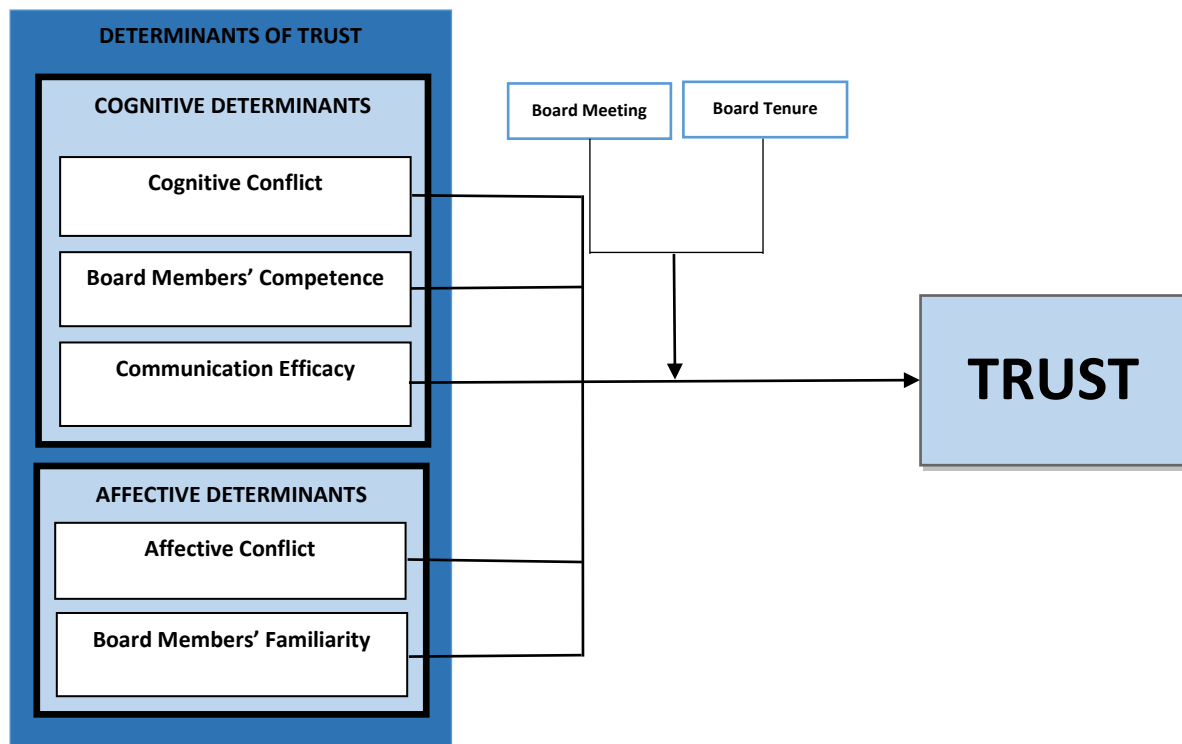


Table 3.1: Definition of trust

AUTHORS	DEFINITION OF TRUST
Mayer et al., (1995: 712)	<i>trust is the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party.</i>
Clark and Payne (1997)	<i>trust as a process model where the decision to trust is based on an underlying subjective base of trust that is accompanied by conditions to trust.</i>
Whitener et al., (1998: 513)	<i>trust can be viewed as a positive attitude towards others and thus involves a willingness to be vulnerable and risk that the other party may</i>

	<i>not fulfil that expectation.</i>
Costa (2003: 608)	<i>trust as a psychological state based on expectations and perceived motives and intentions of others, but also a manifestation of behaviour towards others.</i>
Huff and Kelley (2003)	<i>trust is the decision to trust another party or the willingness to render one'sself-vulnerable</i>

3.2 The Dependent Variable: Trust

As noted in the literature review chapter, there has been a paucity of studies examining the determinants of boards processes. The seminal conceptual model of Forbes and Milliken (1999) identified a number of board processes and how that mediates the relationship between board structure and compositional variables and performance outcomes. However, both theoretical and empirical literature in small team research pay greater attention to the determinants of these processes. This research thus attempts to shed further light on the factors that influencing board processes by focusing on the determinants of trust. Trust has been described as the glue, a medium or a social practice that holds relationships together (Colquitt et al., 2007; Kohyakov, 2007). This highlights trust to be a process that involves a series of actions or responsibilities of parties involved (Kohyakov, 2007). Considering how trust mediates between team structural inputs and outputs, empirical studies have revealed trust to be a variable that facilitates and sustains the effectiveness of teams such as boards (e.g. Langfred, 2004; McAllister, 1995; Schoorman et al., 2007). As shown, trust is frequently treated as a process and a determinant of team effectiveness. For the current purpose, trust will be treated as an outcome or dependent variable. To do this, it is necessary to consider factors that impact on trust, i.e. determinants of trust. Social scientists have examined the determinants of trust by examining the characteristics of trustees as a criterion for higher or lower trust (Colquitt et al., 2007; Costa, 2003; Mayer et al., 1995; McAllister, 1995). This study will be adopting a similar approach to identify the determinants of trust.

In management and organisational research, trust has been investigated and applied to areas such as teams, interpersonal work relationships, and organisations amongst others (Bijlsma, 2003; De Jong and Elfring, 2010; Langfred, 2004; Mollering et al., 2004; Schoorman et al., 2007). This has led to a variety of definitions of trust (as depicted in Table 3.1) that reflect in many roles, functions, and levels of analysis (Costa, 2003). Considering this vast domain of trust, it is necessary to define clearly the concept of trust so as to understand how trust emerges in light of its relationship to its determinants. In this thesis, the dependent variable 'trust' will be treated as a team-level construct in order to investigate and understand its determinants (see Figure 3.1). In previous studies, trust has been defined as a multi-dimensional construct (Costa, 2003; Gillespie and Mann, 2004). Trust has been separated into cognitive-based trust and affective- or emotion-based trust (Costa, 2003; Mayer et al., 1995; McAllister, 1995). Cognitive trust is the beliefs of trustworthiness while affective trust refers to the role of emotions in a trust process. Trust has also been considered at both an individual level and at a team level. The individual level of trust refers to interpersonal trust while the team level concept of trust refers to intra-team trust (De Jong and Elfring, 2010; Langfred, 2004; Simons and Peterson, 2000). Interpersonal trust is the trust between a trustor and a trustee, whereas, an intra-team trust is a general form of trust expected from members of a team or group.

As this thesis will be examining team level trust, it is useful to consider how interpersonal trust differs from the intra-team trust. According to Dirks and Skarlicki, (2009), interpersonal trust is a psychological state of individuals which involves having confident and positive expectations from the actions of the other person. This definition of interpersonal trust highlights the perception of trust that resides at an individual level (De Jong and Elfring, 2010). This is when individuals, despite recognising their vulnerability, reach a state of positive expectation using factors of trustworthiness as a good reason to trust (Costa et al., 2001; Colquitt et al., 2007; Mayer et al., 1995; Mollering et al., 2004). As for intra-team or trust as a team level construct, it implies a collective or generalised form of trust that team

members have for their fellow team-mates (Langfred, 2004; Simons and Peterson, 2000). Where perception of trust, on the one hand, refers to individual level trust, intra-team trust is a generalised perception of trust or a shared quality of individual level perceptions (De Jong and Elfring, 2010). Similarly, Langfred (2004) described intra-team trust as the aggregate perception of individual trust. Such aggregate perceptions of individual trust emerge from factors such as team membership, social categorisation processes, collective sensemaking and shared experiences (Shamir and Lapidot, 2003; William, 2001). To examine trust in the boardroom, this thesis will be adopting the definition of intra-team trust from De Jong and Elfring (2010). For the purpose of this research, trust is defined as the willingness to be vulnerable to another board member and this feeling is shared across the board as members use evidence of trustworthiness as a valid reason to trust (i.e. competence, integrity, and benevolence) (Colquitt, Scott, and LePine 2007; Gabarro, 1978; Mayer et al., 1995). As depicted in this definition, trust within the board is a generalised perception of trust that members share amongst themselves. In other words, the perception of trust of a board member towards another board member is shared across the boardroom leading to intra-team trust (De Jong and Elfring, 2010; Langfred, 2004).

Having defined trust, in order to identify its determinants, it is imperative to note that the determinants of trust vary depending on the two dimensions of trust (i.e. cognitive trust and relationship trust). Where cognitive trust is triggered by rational factors that are based on knowledge, non-rational factors such as feelings, emotions or homophily are triggers of affective trust (McAllister, 1995). On the left-hand section of the model (see Figure 1.1), the determinants of trust are depicted. These determinants are selected to capture both cognitive and affective factors that trigger trust in the boardroom. As depicted in the model, cognitive conflict, the perception of board members' competence and communication are suggested to be determinants of cognitive trust, while board members' familiarity and affective conflict are intended to capture the affective factors triggering or suppressing affective trust.

Studies that have identified the determinants of trust have done so in different contexts and relationships. For example, determinants of trust have examined interpersonal relationships (Colquitt et al., 2007; McAllister, 1995), organisational relationships (Mayer et al., 1995) and inter-firm relationships (Gulati, 1995) amongst others. Researchers who have examined the determinants of trust have mostly done so while studying an individual level construct of trust (e.g. Costa, 2001 and 2003; Colquitt et al., 2007; Mayer et al., 1995). They have done so by examining the characteristics of a trustor and a trustee. Some of these theorists have considered the determinants of trust by using similar variables such as ability, expertise, competence or interpersonal competence, benevolence and integrity (see Colquitt et al., 2007; Cook and Wall, 1980; Butler, 1991; Mayer et al., 1995; McAllister, 1995). Some researchers summarise these determinants as trustworthiness (ability, integrity, and benevolence) and propensity to trust (Butler, 1991; Costa, 2001; Colquitt et al., 2007; Erdem and Ozen, 2003; McAllister, 1995; Morrow et al., 2004; Mayer et al., 1995). From these studies, the components of trustworthiness and the propensity to trust appear to be important variables explaining trust, as they capture cognitive and affective factors that are conditions to trust. More so, trust itself is commonly categorised into these factors, i.e. cognitive trust and affective trust.

The determinants of trust have also been identified as a team level construct (i.e. intra-team trust). An example of researchers who have identified the determinants of this collective form of trust includes Bierly et al. (2009) and Simons and Peterson (2000). Bierly et al. (2009) identified cognitive conflict, affective conflict, team member familiarity, the perception of team members' training, and team goal clarity as determinants of intra-team trust. Simons and Peterson (2000) identified determinants associated with interpersonal trust and explained how these variables could also be the determinants of intra-team trust. They mentioned that trust had typically been associated with benevolence, honesty, and competence at an interpersonal level. At a group level, it entails the general expectations of these variables from all team members (De Jong and Elfring, Zand, 1972). Therefore, a

shared ascription of benevolence, honesty, and competence by all team members are described to be determinants of intra-team trust (Simons and Peterson, 2000). In other words, when the interpersonal determinants of trust are shared across the team, they become intra-team determinants of trust.

This research departs from the consideration of determinants of interpersonal trust and will be examining a collective form of trust, i.e. trust in the boardroom. Therefore, an attempt will be made to capture essential factors leading to trust which are peculiar to teams rather than individuals (see Figure 3.1). Cognitive and affective determinants of trust will also be distinguished. The selected cognitive determinants of trust are board members' cognitive conflict (Bierly et al., 2009; Grovier, 1994; Kramer, 1999; Langfred, 2007), perception of board members' competence (Bierly et al., 2009; McAllister, 1995; Sitkin and Roth, 1993), and communication efficacy (Bulu and Yildirim, 2008; Crisp and Jarvenpaa). The selected affective factors suggested to leading to higher or lower trust are board members' affective conflict (Bierly et al., 2009; Jones and George, 1998; Langfred, 2007), and board members' familiarity (Bierly et al., 2009).

These determinants capture determinants of trust that are commonly identified by team researchers. For example, board members' competence is synonymous to expertness or ability (Cock and Wall, 1980; Dietz and Den Hartog, 2006; Giffin, 1967; Kee and Knox, 1970; McAllister, 1995; Lieberman, 1981; Sitkin and Roth, 1993). As for benevolence and integrity, these are commonly examined in interpersonal relationships between a trustor and a trustee (e.g. Colquitt et al., 2007; Mayer et al., 1995). These variables are described using synonyms such as openness and consistency respectively (Mayer et al., 1995; Colquitt et al., 2007). The determinant board members' familiarity has been selected to capture these variables through the internalisation of interests in an intra-team context (Bierly et al., 2009; Gefen, 2000). More so, Bierly et al., 2009) have proposed this variable to be a determinant of intra-team trust. Just as other researchers have proposed that cognitive conflict, affective conflict, and communication are determinants of intra-team trust, these also have been

included in the model (Curseu and Schruijer, 2010; Lacono and Weisband, 1997; Jarvenpaa and Leidner, 1999; Johnson and Grayson, 2005; Simons and Peterson, 2000). The hypothesised relationship between trust and these determinants will be discussed in the following sections.

3.3 Hypotheses Development

3.3.1 Cognitive conflict and trust

Cognitive conflict is 'the disagreement among group members about decisions, viewpoints, ideas, and opinions' (Langfred, 2007: 885). Studies have also described cognitive conflict as synonymous to task conflict and substantive conflict. For example, Amason (1996: 127) defined cognitive conflict to be 'task-oriented conflict', and Pelled (1996b) further describes this type of conflict to be a 'substantive conflict'. Cognitive conflict has been associated with positive outcomes in prior research and, because of this, it has been described as a functional conflict (Amason, 1996; Eisenhardt and Bourgeois, 1988; Jehn, 1997; Dawes and Massey, 2005; Pondy, 1967; Zona and Zattoni, 2007). According to Amason (1996), functional conflicts are forms of conflict that enhance team and organisational performance. During cognitive conflicts, teams benefit from differences in opinions about how team task could be accomplished (Eisenhardt and Schoonhoven, 1990; Jehn, 1995). Also, cognitive conflict leads to a synthesis of ideas that supersedes individual perspectives within a team which leads to improved decision quality (Jehn and Mannix, 2001). Empirical research has evidenced the positive impact of cognitive conflict on team performance (e.g. Dawes and Massey, 2005; Jehn, 1997; Zona and Zattoni, 2007). This positive impact can similarly suggest on trust in a team such as boards.

According to Zona and Zattoni (2007), cognitive conflict may arise in the boardroom because the board is made up of members who are a diverse group of successful and experienced people. When cognitive conflict emerges in the boardroom, it creates an atmosphere of cognitive trust and a relationship that is based on rationality (Simons and

Peterson, 2000). Cognitive trust is developed based on accumulated knowledge which is from observation of board members' behaviours during board meetings, and it allows members to pre-empt themselves with some level of confidence (Johnson and Grayson, 2005). Cognitive conflict makes such observation possible when board members engage in the questioning and challenging of the rival hypothesis of members (Huse, 2005; Mitchell et al., 2008; Simons et al., 1999). This cognitive interaction helps board members find credence in their intra-team relationship through the accumulation of knowledge-based evidence that facilitates higher trust in the boardroom. Also, some researchers found that cognitive conflict led to increased satisfaction and facilitated the desire of members to want to work with team members due to trust (Amason, 1996; Korsgaard et al., 1995). According to Amason (1996), such desire is developed through enhanced understanding. This understanding is a product of members' cognitive evaluation of alternative perspectives leading to team commitment. The decision to remain committed to the team will be based on rational reasons rather than affective grounds. This highlights how higher trust develops from cognitive conflict. Considering these arguments, cognitive conflict creates an avenue for members to develop knowledge-based trust in the boardroom. Therefore, it is possible to hypothesise that:

H1: Board members' cognitive conflict impacts positively on trust in the boardroom

3.3.2 The Perception of Board Members' Competence

Based on the theoretical arguments of Butler (1991) and Sitkin and Roth (1993), competence is commonly identified as an important determinant of trust. Competence has been described using synonymous terms such as ability, expertise or interpersonal competence (e.g. Butler, 1991; Cook and Wall, 1980; Deutsch, 1960; Giffin, 1967; Gabarro, 1978; Kee and Knox, 1970; Lieberman, 1981). For example, Albrecht (2002) explained competence as being qualities such as influence, impact, ability, expertness, knowledge, and the ability to do what is needed (p. 322). Similarly, Mayer and Davis (1999) defined

competence to be 'a group of skills, competencies and characteristics that allow a party to have influence within some domain' (p. 124). Sitkin and Roth (1993) and McAllister (1995) found that the perceived abilities of team members, as well as their professional credentials, will increase the degree of trust. Such trust is based on the confidence that team members have the ability to carry out their tasks effectively.

In an attempt to explain the link between competence and trust in interpersonal relationships (i.e. trust between a trustor and a trustee), Mayer et al. (1995) explained that the ability or the competence of a trustee in a domain implies that a trustee may be competent in certain task related areas but not in all areas. Therefore, before competence may lead to trust in an interpersonal relationship, such trust must be related to the area of specialisation of the trustee, i.e. a trust that is domain specific (Mayer et al., 1995; Zand, 1972). This link between competence and trust could also be perceived in board members' intra-team relationship. Teams are made up of members with domain-specific competencies who are allocated tasks or roles according to their specialities (Gabarro, 1978). Gabarro (1978) described this feature of a team as 'functional and specific competence'. This is similar to the definition of a functional diversity characteristic of a team which is a reflection of the variety of knowledge, skills or abilities (Qian, 2012). In the presence of such variety of competencies, the allocation of roles should be congruent with the ability of members. Therefore, the expertness or competencies of members may facilitate higher trust because the team will be confident that board members will carry out their roles due to their specialisation in the task allocated to them (Giffin, 1967).

The creation or the enhancement of trust due to the presence of competence within a team has been described by some researchers as cognitive-based-trust (McAllister, 1999; Parayitam and Dooley, 2007). McAllister (1999) described cognitive-based-trust as a trust based on competence, responsibility, reliability, and dependability. This form of trust supersedes emotional grounds because it is based on rationality and evidence. The credentials and working experiences of members are examples of such evidence (Sitkin and

Roth, 1993; McAllister, 1995). When a team perceives the competence of their members (i.e. available knowledge), the team uses this as a foundation to decide to trust. McAllister (1999) describes such available knowledge as a platform from which a team makes a leap of faith and trust each other. Therefore, when tasks or roles of members are matched to their competencies this leads to higher trust in a team but when there is asymmetry in the competence and roles, this may lower trust within the team. Also, when a team perceives the expertise of their members, it makes them willing to establish a higher trust using such competence or expertise as a good reason or a rational ground for trust. Considering this, it can be hypothesised that:

H2: Perception of board members' competence positively impacts on trust in the boardroom

3.3.3 Communication Efficacy and Trust

Communication in a team involves the sharing of information, experience, and understanding between team members (Aral et al., 2008). The objective of communication, according to Farquhar (2011), is to reduce ambiguity, to process information, and coordinate activities within a team. To define communication, researchers such as Mohr and Nevin (1990), Mohr et al. (1996), Fisher et al. (1997), and Massey and Dawes (2007) have proposed models highlighting facets that explain effective communication. Mohr et al. (1996) identified the facets of communication to be frequency, bi-directionality, formality, and non-coercive content. Fisher et al. (1997) similarly identified frequency, bi-directionality, and coerciveness of influence as attempts to be facets of communication. By frequency, these researchers imply the amount of communication, by bi-directionality they refer to the vertical and horizontal flow of information and by non-coerciveness of content they refer to the consequences associated with non-compliance with the communication process (Fisher et al., 1997; Mohr et al., 1996). Mohr et al. (1996) added formality as another facet and, by this, they refer to the media of communication, i.e. formal or informal media. After Massey and Dawes (2007) had identified frequency and bi-directionality, they added communication

quality as another dimension which refers to the credibility, relevance, usefulness, and how easy it is to understand what is being communicated. How these researchers have explicated communication reveals communication to be a multi-dimensional construct. In other words, they suggest that communication is mainly made up of three dimensions, namely, frequency, bi-directionality, and quality (Farquhar, 2011; Eisenhardt et al., 1997; Massey and Dawes, 2007). These dimensions play a vital role in describing communication efficacy.

Communication efficacy has been suggested to be an important variable that facilitates the building of trust (Aral et al., 2008; Bulu and Yildirim, 2008; Eisenhardt et al., 1997; Hinds and Bailey, 2003). For example, Bulu and Yildirim's (2008) study found that communication leads to higher trust. However, in virtual teams, trust is fragile due to the virtual form of communication. Therefore, to ensure higher trust in a team, members should engage in continuous and frequent communication that focuses on the work content (Iacono and Weisband, 1997). Considering this, a communication efficacy - especially when it is regular and predictable - develops and sustains trust especially in non-virtual teams such as boards (Bulu and Yildirim, 2008; Crisp and Jarvenpaa, 2000; Kayworth and Leidner 2000). Jarvenpaa and Leidner (1999) explained that it is impossible for trust to exist without a social context, i.e. communication and interaction. However, for communication efficacy to lead to trust within a team, such communication should be focused on accomplishing tasks (Jarvenpaa and Leidner, 1999; Iacono and Weisband, 1997; Ishaya and Macaulay, 1999). When examining trust in groups, Jarvenpaa and Leidner (1999) observed that groups that focus on tasks during their communication enjoyed higher trust while groups that focused less on accomplishing tasks during their communication experienced lower trust. Similarly, Ishaya and Macaulay (1999) noted that before communication efficacy can lead to trust, communication within a team or group should be in pre-categorised messages that are task defined. Where communication is infrequent and unequal with the lack of task identification, this reduces trust within the team and inhibits performance (Ishaya and Macaulay, 1999).

Therefore, if the efficacy of communication is frequent and predictable as well as task-focused, communication should lead to trust. Considering this, it could be hypothesised that:

H3: Communication Efficacy impacts positively on trust in the boardroom

3.3.4 Affective Conflict and Trust

Affective conflict refers to 'inconsistency in interpersonal relationships which occurs when organisational members become aware that their feelings and emotions regarding some of the issues are incompatible' (Rahim, 2002: 210). Affective conflict has been alternatively referred to as emotional and relationship conflict (Amason and Schweiger, 1994; Li and Hambrick, 2005). Evidence indicates that affective conflict has an inhibitive or dysfunctional impact on team effectiveness (Amason, 1996; Eisenhardt and Bourgeois, 1988; Jehn, 1995; Jehn, 1997; Dawes and Massey, 2005; Pondy, 1967; Zona and Zattoni, 2007). The reason for this is that affective conflict fosters intra-team and interpersonal animosity that is detrimental to the functioning of a team (Jehn and Mannix, 2001; Roseman et al., 1994). For example, affective conflict has been described to be potentially harmful or detrimental to group processes and the decision quality of teams (see De Dreu and Weingart, 2003; Ligen et al., 2005; Jehn, 1995; Langfred, 2007; Peterson and Behfar, 2003; Simons and Peterson, 2000). Amongst these inhibitive impacts of affective conflict on team processes is its impact on trust.

The presence of affective conflicts indicates that teams members do not share a mutual understanding and appreciation (Langfred, 2007). According to Jones and George (1998), the absence of mutual appreciation clearly, involves negative emotions in a team which leads to lowered trust. Also, the lack of mutual appreciation within a team will lead to team members viewing other members they dislike as unhelpful or uncooperative. This will lead to a lowered willingness to be vulnerable to other team members (i.e. lowering their trust of them) as implied by the definition of trust (De Jong and Elfring, 2010; Colquitt, Scott, and LePine 2007; Gabarro, 1978; Langfred, 2007; Mayer et al., 1995). Consistent with this,

Simons and Peterson (2000) found that groups having less destructive relationship conflict enjoyed higher trust. Similarly, Curseu and Schruijer (2010) described how relationship conflict blocks the emergence of trust by associating its negative impact in a team with a lack of commitment and dissatisfaction. These highlighted impacts of affective conflict create an atmosphere of negative emotionality within the team (Curseu and Schruijer, 2010; Curseu, 2011). In the presence of such a negative atmosphere, intra-team trust is easily lowered. Considering this, it is suggested that affective conflict can adversely impact trust in the boardroom. Therefore, it is hypothesised that:

H4: Board members' affective conflict impacts negatively on trust in the boardroom

3.3.5 Board Member Familiarity and Trust

According to Gefen et al. (2003: 63), 'familiarity is one's understanding of an entity, often based on previous interactions, experience, and learning of the what, who, how, and when of what is happening'. In a team, familiarity is gained from the knowledge acquired from previous work with team members (Goodman and Garber, 1988; Littlepage et al., 1997). Applying this to an interpersonal relationship, familiarity allows a trustor to gather trust-relevant knowledge about the trustee which the trustor uses as a basis for trust (Komiak and Benbasat, 2006). This highlights how familiarity may lead to the building of trust not only in interpersonal relationships but also in teams (Rempel et al., 1985). Familiarity has also been discovered to be a builder of inter-firm trust (Gulati, 1995), and customer trust (Gefen, 2000). As familiarity is acquired based on previous experiences, it leads to higher trust in intra-team relationships (Komiak and Benbasat, 2006; Luhmann, 1979). In intra-team relationships, when experience with team members is negative, this may inhibit the building of higher trust in a team. However, when experiences are positive, it facilitates the emergence of trust in a team (Luhmann, 1979). Such experiences that build familiarity reduce the possibility of uncertainty in the expectations from the relationship in a team (Doney and Cannon, 1997; Komiak and Benbasat, 2006). Therefore, based on the

increased understanding of what has happened in the past, familiarity allows team members to predict teammembers' future behaviours based on the consistency of previous dealings, hence facilitating trust.

Considering this in the case of corporate boards, before familiarity resulting from cumulative knowledge and working experience can develop in the boardroom, board members must have been working together for a considerable period. Such an extended period spent working together helps board members establish a relationship that facilitates higher trust (Gefen, 2000). Before familiarity can facilitate higher trust, board members should have met the favourable expectations of members during their previous interactions. Over a period of extended interaction, board members easily become fond of each other as they use the consistency in their previous relationship as a framework for future expectation (Gulati, 1995). According to Gulati and Sytch (2008), team members use such extended interaction as an opportunity to develop higher trust. They described this form of trust as non-calculative, in other words, affective trust. Familiarity develops this type of trust in a team by enabling members to understand the behavioural inclination of each other. This stems from an increased identification and internalising of interest between members (Gulati and Sytch, 2008). In this way, board members' familiarity satisfies the socio-psychological needs of members (Majchrzak et al., 2005). When such needs are satisfied, it gives members a sense of belonging and identification (Sluss and Ashforth, 2008). In other words, familiarity fosters a social bond in the boardroom. In sum, familiarity refers to a fond and genial relationship that develops from an extensive continuous interaction between board members (Espinosa et al., 2007; Gulati and Sytch, 2008; Komiak and Benbasat, 2006; Luhmann, 1979). Such interaction creates a framework that allows the internalising of interests between board members which leads to the development of higher affective or non-calculative trust between them (Gulati and Sytch, 2008). Considering this, it is hypothesised that:

H5: Familiarity between board members positively impacts on trust in the boardroom

3.4 Moderating Variables: Board Tenure

Board member tenure is the period a director has been sitting on a board (Canavan et al., 2004; Livnat et al., 2016). According to Canavan et al. (2004), the average tenure for a director is approximately three terms (i.e. nine years). However, this can significantly vary in the case of some boards as some directors' tenure may range up to 15 to 20 years. Considering this, it is useful to note that board member tenure is different from board tenure. Where board member tenure refers to a director, board tenure refers to the board as a whole. Therefore, board tenure can be defined as the period of time all members have been sitting on a board together. Board tenure will be considered as a moderating variable of the hypothesised relationships. Therefore, in this subsection, a moderating effect of board tenure is suggested between the determinants of trust and trust.

Cognitive conflict is hypothesised to impact positively on trust in the boardroom. This is because it allows board members to engage in cognitive debates and helps them to find knowledge-based credibility in their relationship. Board tenure is suggested to weaken this relationship. According to Forbes and Milliken (1999), long-tenured boards experience lowered cognitive conflict. This is because members are likely to have developed a shared understanding over a long period of interaction. Members tend to rely on previous interactions and develop a repertoire towards tasks instead of harnessing new stimuli, ideas or innovation that cognitive conflict introduces to the board (Katz, 1982). Cognitive conflict is important because it leads to higher trust in the boardroom as members continue to find rational reasons to trust themselves when they engage in debates over tasks. Considering this, board tenure weakens the impact cognitive conflict has on trust as members are less inclined to engage in cognitive conflict. This is because the knowledge-based trust of

members would retrograde overtime as they engage in fewer debates (Forbes and Milliken, 1999). Considering this, it is hypothesised that:

H6: Board tenure negatively moderates the relationship between board members' cognitive conflict and trust in the boardroom

The impact that the perception of board members' competence has on trust is suggested to be strengthened by the moderating effect of board tenure. Competence refers to the expertness of board members and their ability to carry out board tasks that are specific to their expertise. When the board is aware of the task-related expertise of members, it facilitates higher cognitive trust. Such trust is based on the knowledge that board members specialise in carrying out the tasks allocated to them. Board tenure strengthens the impact of the perception of board members' competencies by creating a space of time that allows them to further enhance their abilities and the knowledge of each others' competences. According to Forbes and Milliken (1999), long-tenured boards tend to acquire additional knowledge and skills that are organisation and board specific. Tenure does not only allow board members to gather job-specific knowledge; it introduces members to creativity and openness to new ideas (Pfeffer, 1983). Tenure allows board members to acquire additional skills on top of their previously accumulated abilities. Considering this, the impact of the perceived competencies of board members on trust is enhanced because members acquire more knowledge and skills over time.

Additionally, board tenure also allows board members to observe themselves and find a more rational basis to develop higher trust. In long-tenured boards, members can witness the strength and weaknesses of each board member. They can also observe the growth and decline in the competencies of themselves. Board tenure also makes it possible for members to sharpen their competencies to match the needs of the board (Tesluk and Jacobs, 1998). When board members observe or perceive the development of each other's competencies, the impact on trust is strengthened. Such trust is based on the accumulated

knowledge of the growth in the competencies of board members over time. Considering these arguments, it is possible to hypothesise that:

H7: Board Tenure positively moderates the relationship between the perception of board members' competence and trust in the boardroom

Communication efficacy in the boardroom is proposed to impact positively on trust. Efficacy of communication refers to a frequent and task focused or cognitive communication. In other words, this is a cerebral form of communication. This sort of communication enables board members to gather task-related information. It also facilitates a mutual understanding of what task needs to be accomplished. When board members' knowledge on the task is unified through communication, this leads to higher trust. When board tenure moderates the relationship between communication efficacy and trust, a weakening effect is suggested. According to Katz (1982), extended tenures reduce the effectiveness of intra-group communication and isolate the group from information sources. Board tenure weakens the impact communication efficacy has on trust by increasing the level of conformity of board members' expectations especially when it comes to accomplishing tasks (Kosnik, 1990). When board members become susceptible to such conformity, they become increasingly reliant on standard practices and traditions (Katz, 1982). As a result, this may make members uncertain of board tasks and reduce their confidence (McGrath, 1984). When board members' confidence is reduced, this could be interpreted as a weakened or lowered board members' trust. Since tasks can be clarified through communication, communication efficacy sustains higher trust. When board tenure introduces conformity to the impact communication efficacy has on trust, a weakening effect is assumed. Considering this, it can be hypothesised that:

H8: Board tenure negatively moderates the relationship between communication efficacy and trust in the boardroom

Affective conflict has been described using components as tension, animosity, friction and incompatibility (Jehn and Mannix, 2001). These components highlight the negative effects of affective conflict on trust. Considering this relationship, the moderating effect of board tenure is proposed to be negative. In other words, board tenure further worsens the impact affective conflict has on trust in the boardroom. Affective conflict has also been associated with negative emotionality. When such emotionality pervades the board, it negatively impacts on trust. Board tenure allows time for such emotions, animosity and incompatibilities caused by affective conflict to grow until it is self-sustaining. Affective conflict then becomes fertile which leads to the worsening effect that it has on trust. When such nurtured negative emotions and animosity is well developed, it completely obliterates the chances of higher trust in the boardroom. In sum, board tenure exacerbates the impact board members' affective conflict has on trust by allowing time for affective conflict to flourish. Based on this, it is hypothesised that:

H9: Board Tenure positively moderates the relationship between board members' affective conflict and trust in the boardroom

Board member familiarity occurs when board members share similar interests or when their interests are aligned. According to Gulati and Sytch (2008), such alignment may imply that board members have a mutual understanding of each other's behavioural inclination. The alignment of interests makes bonding between board members possible as they become fond of each other. This has been suggested to facilitate trust based on homophilous reasons. Board tenure strengthens the impact of board members' familiarity on trust by enabling an extended period of interaction. This period of time allows them to further internalise their interests (Mallette and Fowler, 1992). In other words, board members would become more familiar with themselves due to continued interaction that board tenure

facilitates. As familiarity positively impacts on trust, tenure moderates between these two variables by creating an opportunity for continued interaction between board members that further strengthens their relationship. Therefore, the more familiar board members are with each other, the higher the impact it has on affective trust that members share. Considering this, it is possible to hypothesise that:

H10: Board Tenure positively moderates the relationship between board members' familiarity and trust in the boardroom

3.5 Moderating Variables: Board Meeting Frequency

Board meetings are the number of general board meetings held each year (Vafeas, 1999). These meetings are usually held at definite intervals. How boards meet differentiates them from regular groups or teams. Unlike conventional teams, boards meet episodically (Forbes and Milliken, 1999). According to Monks and Minow (2008), full board meetings are held on an average of 7 times per year, where members spend less than two weeks per year working on the board they serve. These meetings are used to measure the intensity of board activities (Vafeas, 1999). Board meetings bring benefits such as allowing members to engage in intra-team interaction and discussing how board tasks would be accomplished (Vafeas, 1999). Considering this, this section suggests the moderating effect of board meeting frequency on the impact the determinants of trust has on trust in the boardroom.

Cognitive conflict leads to trust in the boardroom because members engage in task-related debates (Johnson and Grayson, 2005). From these debates, members discover sagacious reasons to trust themselves, such decision to trust goes beyond affective grounds. Before such cognitive debate is possible in the boardroom, engaging in face-to-face interaction is imperative. Board meetings make this interaction possible. With board meeting frequency, members would have the opportunity to participate in productive debates more often. From these debates, members will be able to sustain their rational reasons to trust. However, when board members frequently meet, the impact of cognitive conflict on

trust may weaken over time. The reason for this is that when board members frequently meet and engage in recurrent cognitive conflicts this could quickly escalate into emotional rift in the boardroom which could impede positive impact on trust (cf. Amason and Sapienza, 1997; Jehn, 1995; Mooney et al., 2007; Pelled, 1996; Simons and Peterson, 2000; Yang and Mossholder, 2004). Where the apriori relationship between cognitive conflict and trust is assumed to be positive, the moderating effect of board meeting frequency introduces a negative impact on the relationship. In sum, the reasons for this assumed effect is because the frequency of board meetings sets the stage for board members to engage in repeated cognitive conflict which potentially deteriorates into the negative effects. Considering this feature of board meeting frequency, the assumed positive impact of cognitive conflict on trust is weakened. Therefore, it could be hypothesised that:

H11: Board meeting frequency negatively moderates the relationship between board members' cognitive conflict and trust in the boardroom

Regarding the relationship between the perception of board members' competencies and trust in the boardroom, a positive moderating effect of board meeting frequency is suggested. Board members' perception of each other's competencies implies that members can witness, observe, and understand the abilities of their colleagues. Board meeting frequency makes such perceptions possible. During board meetings, members are given the opportunity to exhibit their expertness or competencies, while others observe (Vafeas, 1999). The higher the frequency of board meetings, the more members are given the opportunity to observe themselves. This is so because board members would be able to gather sufficient compelling evidence on which they would base their decision to trust cognitively. Considering this, the perception of board members' competencies' impact on trust is strengthened by board meeting frequency. Therefore, it can be hypothesised that:

H12: Board meeting frequency positively moderates the relationship between the perception of board members' competence and trust in the boardroom

The positive impact of communication efficacy on trust has been suggested. However, this impact depends on the context within which such communication occurs (Jarvenpaa and Leidner, 1999; Iacono and Weisband, 1997; Ishaya and Macaulay, 1999). Based on this, board meeting frequency may weaken the relationship between trust and communication efficacy. This is because the more frequently board members meet, the less inclined they are to engage in an efficacious form of communication that is task focused. According to Katz (1982) and Kosnik (1990), the more time teams such as corporate boards spend with each other; the more conformity to routines is created which undermines effective communication in the boardroom as they become easily susceptible to standard practice. In a similar vein, Vafeas (1999) argued that during board meetings communication in the boardroom may be based on an agenda set by the CEO, and for this reason, board communication is hardly productive. This enables board meeting frequency to weaken the positive relationship between communication efficacy and trust in the boardroom. Another reason why a weakening effect of board meeting frequency is suggested is that board meetings create impediments to communication efficacy (Malenko, 2014). Amongst these impediments is that board communication is usually very limited during board meetings (Almazan and Suarez, 2003; Malenko, 2014). The other reason mentioned by Malenko (2014) is that during board meetings, directors are usually reluctant to communicate freely due to reputational concerns as they do not want to appear uninformed or incompetent when expressing controversial opinions. Therefore, directors succumb to conformity allowing board meetings to weaken the impact of communication on trust. Based on these arguments, it could be assumed that the relationship between board members' communication efficacy and trust is weakened by the moderating effect of board meeting frequency. This is because the frequency of board meetings introduces conformity and

impediments to the relationship between communication efficacy and trust. Therefore, it is hypothesised that:

H13: Board meeting frequency negatively moderates the relationship between communication efficacy and trust in the boardroom

Board meeting frequency is suggested to negatively moderate the relationship between affective conflict and trust in the boardroom. In the presence of affective conflict in the boardroom, it is unlikely that members develop higher trust for themselves. This is because affective conflict is fuelled by incompatibilities and negative emotions. When such an atmosphere permeates the board, interaction during board meetings becomes frustrating and upsetting (Pelled, 1996). Board meetings give members an opportunity to let out their animosity, antagonism, and the discomfort they experience from relating to other board members. Board meetings also allow members to cultivate or nurture feelings of animosity especially when treated as such by other members. This fragile interaction that board meetings facilitate may also incline board members to ponder and retaliate how they have been treated by other members. This creates a vicious circle of negativity in the boardroom. With the presence of such self-sustaining affective conflict, the possibility of higher trust will be annihilated. In sum, board meeting frequency creates an avenue to intensify affective conflict through retaliation of experienced frustration and bias from other members. Considering this, it is therefore hypothesised that:

H14: Board meeting frequency positively moderates the relationship between board members' affective conflict and trust in the boardroom

Board members' familiarity is hypothesised to lead to higher trust in the boardroom. The rationale behind this positive relationship is that board members' familiarity helps satisfy members' socio-psychological needs (Majchrzak et al., 2005). Board members become familiar with themselves through an extended period of interaction (Gulati, 1995). Over time, members' interests are internalised as they use past favourable experiences with members

as a basis for higher trust (Gulati and Sytch, 2008). Board members' familiarity facilitates a relational attachment in the boardroom. Before an affective relationship develops from board members' familiarity, the proximity of face-to-face interaction is imperative. Board meeting frequency makes such interaction possible. Board meetings create an environment where board members can learn about each other's interests. With the frequency of board meetings, board members' interests are easily aligned over time. Board meeting frequency also makes the building of intra-team relationship possible, and this involves board members getting familiar with each other. To sum up, board meeting frequency helps members to satisfy their social needs. As board meeting, frequency creates an environment for familiarity, higher trust in the boardroom is sustained. Therefore, it can be hypothesised that:

H15: Board meeting frequency positively moderates the relationship between board members' familiarity and trust in the boardroom

3.6 Research Hypotheses Summary

The lack of empirical support for the structural approach to board and firm effectiveness has led to the increase of theoretical and empirical literature exploring board processes and behaviours (e.g. Farquhar, 2011; Stiles and Taylor, 2001; Van Ees et al., 2008; Zona and Zattoni, 2007; Zahra and Pearce, 1989). Following Forbes and Milliken's (1999) application of concepts drawn from team research to board, studies on board processes have been ongoing. In a similar way, this research attempts to contribute to the knowledge on board processes by investigating how these processes are triggered. To do this, trust among other board processes is being examined. Trust is a process that facilitates and sustains team effectiveness (Langfred, 2004; McAllister, 1995; Schoorman et al., 2007). It is also a social practice that holds relationships together through the facilitation of intra-team interaction (Colquitt et al., 2007; Kohyakov, 2007). For this reason, the process 'trust' is desirable of attention. Therefore, to examine trust and the determinants of trust, a model explaining the relationship between trust and its determinants was developed. The model proposes that cognitive conflict, the perception of board members' competence,

communication efficacy are cognitive determinants of trust while affective conflict and board members' familiarity are affective determinants of trust.

Considering the relationship between trust and these determinants, it has been hypothesised that cognitive conflict, the perception of board members' competence, communication efficacy and board members' familiarity positively impacts on trust. As for the affective conflict, its negative impact on trust has been hypothesised. The moderating variables that influence the relationship between these variables have also been identified. These moderating variables are 'board tenure' and 'board meeting frequency'. The relationship between the perception of board members' competence, affective conflict, board members' familiarity and trust was shown to be positively moderated board tenure and board meeting frequency. As for the relationship between cognitive conflict, communication efficacy, and trust, it was shown to be negatively moderated by board tenure and positively by board meeting frequency.

Table 3.2: Summary of Formulated Hypotheses

HYPOTHESES	
H1	Board members' cognitive conflict impacts positively on trust in the boardroom
H2	Perception of board members' competence positively impacts on trust in the boardroom
H3	Communication efficacy impacts positively on trust in the boardroom
H4	Board members' affective conflict impacts negatively on trust in the boardroom
H5	Familiarity between board members positively impacts on trust in the boardroom
H6	Board tenure negatively moderates the relationship between board members' cognitive conflict and trust in the boardroom
H7	Board tenure positively moderates the relationship between the perception of board members' competence and trust in the boardroom
H8	Board tenure negatively moderates the relationship between communication efficacy and trust in the boardroom
H9	Board tenure positively moderates the relationship between board members' affective conflict and trust in the boardroom
H10	Board tenure positively moderates the relationship between board members' familiarity and trust in the boardroom
H11	Board meeting frequency negatively moderates the relationship between board members' cognitive conflict and trust in the boardroom
H12	Board meeting frequency positively moderates the relationship between the perception of board members' competence and trust in the boardroom
H13	Board meeting frequency negatively moderates the relationship between communication efficacy and trust in the boardroom
H14	Board meeting frequency positively moderates the relationship between board members' affective conflict and trust in the boardroom
H15	Board meeting frequency positively moderates the relationship between board members' familiarity and trust in the boardroom

Above is the summary of the hypotheses formulated in this chapter. Hypotheses 1 to 5 test the hypothesised relationship between trust and cognitive conflict, the perception of board members' competence, communication efficacy, affective conflict, and board members' familiarity. Hypotheses 6 to 10 tests for the moderating effect of board tenure, whereas hypotheses 11 to 15 tests the moderating effects of board meeting frequency. The

nextchapter will outline the methodology and methods used to test the model and hypotheses developed in this chapter.

CHAPTER 4

RESEARCH DESIGN AND METHODOLOGY

4.1 Introduction

Chapter 3 outlined the research model and hypotheses to investigate the determinants of trust in the boardroom. This chapter reviews choices of research design and methodology and their respective strengths and weaknesses. Considering the nature of this study, which aims to identify causal relationships between variables, the research design and methodology employed in this research is quantitative. Data analysis is conducted using SPSS. As quantitative research is theory-driven and often deductive, it is critical that the research constructs, models and hypotheses are based on strong theoretical foundations. For this requirement, an extensive literature review on all the theoretical and conceptual matters was carried out, and this is reported in Chapter 2. This chapter will be structured as follows: first, a review of alternative research designs and paradigms is detailed. Second, the chosen research method and design are outlined. Third, this research uses a quantitative approach with data collected via a postal survey. This section will include discussion of the data collection procedures, identify the selected instruments for the chosen research design and method, report the results of factor analysis and reliability of the constructs of the variables. The final section of this chapter provides a summary of the tests conducted to ensure the validity and reliability of the measurement model.

4.2 Research Design

Research design involves the selection of methods, sampling, data collection, and interpretation procedures (Blumberg et al., 2008; Bryman and Bell, 2007). According to Blumberg et al. (2008) and Bryman and Bell (2007), research design considers how best to carry out research to save time and cost. Saunders et al. (2009) defined research design as the general plan to answer a research question. Similarly, Royer and Zarlowski (2001) defined research design as the link between the research question, the literature review, the

data analysis, and the results. Royer and Zarlowski's (2001) definition is consistent with Blumberg et al.'s (2008) overview of a research design in which they described it as an outline showing the overall structure and orientation of a study. In sum, a research design is a framework created to answer a research question or questions. This framework includes the type of study (i.e. correlational, descriptive, experimental, review, or meta-analytic) that is defined by the collection, measurement, and analysis of data (Blumberg et al., 2008; Phillip, 1971; Royer and Zarlowski, 2001).

After the research is designed, the validity and the reliability of the selected measures is examined. Measurement validity refers to the extent to which what was intended to be measured was accurately measured (Blumberg et al., 2008). According to Saunders et al. (2003), validity is concerned with whether the findings of the research are really about what they appear to be about. In order to evaluate the validity of research, Yin (2009) proposed four measures to test the quality of a research design. These measures are construct validity, internal validity, external validity, and reliability. Construct validity refers to the operational measures of the concept being studied. Internal validity has to do with establishing a causal relationship between variables (i.e. between a dependent variable and an independent variable). External validity has to do with the domain within which the study can be generalised. Reliability ensures that there is consistency in the result if the study were to be repeated (Yin, 2009). According to Easterby-Smith et al. (2002: 53), the reliability of research has to do with the answering of the following questions:

- Will the selected measure yield the same result on other occasions?
- Will there be similar observations when others observe?
- Is there transparency in how sense was made from the raw data?

There are underlying philosophical assumptions on which all research is based, and they constitute what makes research 'valid'. These philosophical assumptions have to do

with the research method(s) that is appropriate for the development of knowledge in a given study. Research methods refer to data collection techniques which are associated with specific research paradigms. Where the two most important research paradigms are qualitative and quantitative, their approaches to research are inductive and deductive respectively (Saunders et al., 2003). The following section will discuss these paradigms more.

Table 4.1: Research Paradigms and Dimensions

Subjectivity/ Qualitative Paradigm	Assumptions	Objectivism/ Quantitative Paradigm
Nominalism: Multiple realities	Ontology	Realism: A single reality
Interpretivism: anti-positivism focuses on subjective world view of humans	Epistemology	Positivism: based on the principle of reductionism and demanding reliability and validity
Voluntarism	Human Nature	Determinism
Ideographic: Inductive	Methodology	Nomothetic: Deductive

(Burrell and Morgan, 1979)

4.3 Research Paradigms

The term 'paradigm' was coined from the Greek word *paradeigma* which means pattern. The term was first introduced by Kuhn (1962) to denote a conceptual framework that was shared by a community of scientists. This conceptual framework served as a convenient model for examining problems and finding solutions. According to Kuhn (1977), the term paradigm referred to a research culture based on a set of beliefs, values, and assumptions that a group of researchers have in common with regard to the way to conduct research. This is line with Olsen et al. (1992: 16), who defined research paradigm as the 'structure and framework or system of scientific and academic idea, values, and assumptions. According to TerreBlanche and Durrheim (1999), a research paradigm is an all-encompassing system of interrelated practices and thinking that is used to define the nature of the enquiry. These practices refer to a research process that has four major dimensions. In Table 4.1, these dimensions are identified to be ontology, epistemology, human nature, and methodology

(Burrell and Morgan, 1979; TerreBlanche and Durrheim, 1999). The first is ontology which refers to the perception of reality, whether it is objective and external to humans or whether it is created by one's consciousness. The second is epistemology, and it is concerned with how knowledge can be acquired, i.e. whether knowledge is a hard body of objective reality or a subjective experience. The third is human nature, and it is concerned with the socio-cultural assumption on whether or not the researcher perceives man as the controller or as the controlled. The fourth is methodology which refers to the researcher's tools, i.e. the means available to social scientists to investigate phenomena.

There are two main research paradigms, the qualitative research paradigm and the quantitative research paradigm. These paradigms are differentiated by their research dimensions (ontology, epistemology, human nature, and methodology) and methods as depicted in Tables 4.1 and 4.2. Where the qualitative research paradigm uses an inductive approach that is based on subjectivity, a quantitative approach uses an objectivist theory-driven deductive approach (Gill and Johnson, 1997; Morgan and Smircich, 1980; Smith and Dainty, 1991). A deductive approach is one where theory is developed and then tested using data. An inductive approach is where data is collected, and theory is developed from the data (Burrell and Morgan, 1979; Gill and Johnson, 1997; Holden and Lynch, 2004; Smith and Dainty, 1991). These research paradigms are also separated by their research methods. Research methods refer to the data collection techniques associated with these paradigms. Qualitative methods of data collection are usually through observations and interviews, while quantitative methods are usually through experiments and surveys. The taxonomies of the qualitative and quantitative research paradigms are illustrated in Tables 4.1 and 4.2. The following sections will contrast these two paradigms.

Table 4.2: Research Paradigms and Methods

Research Paradigms	Research Approached	Research Methods
Positivism	<i>Quantitative</i>	Surveys: longitudinal, cross-sectional, correlational; experimental, and quasi-

		experimental
Interpretivism (Anti-positivism)	<i>Qualitative</i>	Biographical (interviews); phenomenological; ethnographical; case studies; observations
Critical Theory (Triangulation)	<i>Critical and action oriented</i>	Ideology critique; action research

(Conen et al., 2000)

4.3.1 Positivism: Quantitative Research Paradigm

The positivist, quantitative research paradigm is based on the ideas of the French philosopher, August Comte (Antwi, 2015). According to Comte, knowledge is based on the experience of senses, and this can be acquired through observation, reason, and experiment (Antwi, 2015; Henning et al., 2004). The positivist paradigm is based on the concepts of determinism, empiricism, parsimony, and generality (Burrell and Morgan, 1979; Conen et al., 2000). Determinism refers to an event caused by circumstance, i.e. causal relationships or events caused by one or more factors (Salmon, 2007). Empiricism refers to the use of empirical evidence to support hypotheses. Parsimony refers to how phenomena are explained in the most economical or simple way possible. Because it is cumbersome to collect all necessary information about phenomena or a theory, parsimonious or simple explanations are useful in shading understanding on complex social events. As for generality, it refers to the process of generalising findings or observations to world at large (Burrell and Morgan, 1979; Conen et al., 2000). Considering these assumptions on which the positivist's paradigm is based, positivists argue that reality or knowledge is objective and quantifiable. This implies that reality can be objectively measured in a way that is independent of the researcher, and the research instrument used, i.e. reality is independent of social construction (Henning et al., 2004; Walsham, 1995). In this positivists' approach to reality, human behaviour is viewed as passive, controlled, and determined by the external environment. Hence, objectivists' quantitative approach to research is based on establishing cause and effect.

Positivists' quantitative approach to research uses mathematical and statistical measures to analyse causal relationships (Blumberg et al., 2008). These methods of research are used to synthesise the process of generating knowledge through quantification. Quantification is used to enhance precision in the description of parameters or variables and the relationship between them. This quantitative deductive approach essentially represents the classical positivist tradition. However, there is a modified version of the positivist tradition. This is called post-positivism (Phillips, 1990). The post-positivists agree that reality and the object of our inquiry are determined by the external environment and independent of the human mind. However, they suggest that reality and acquisition of knowledge cannot be entirely objective and perceived accurately simply by observation (Phillips, 1990). Nonetheless, just as with the positivists, they uphold that objectivism is ideal when carrying out the search of knowledge.

Apart from the post-positivist tradition, positivism has been critiqued by alternative traditions due to its lack of subjectivity in interpreting phenomena or reality. The reason for this is found in Buckingham (1918) who critiqued the quantitative methods of positivists' research approach for its lack of isomorphism between its measures and reality and its failure to produce truths useful to educational practice. These main criticisms of the positivist research paradigm in social sciences have been echoed by contemporary researchers such as Campbell (1978), Gould (1981), Kemeny (1956), and McNemar (1960). Due to these criticisms, an alternative research paradigm to positivists' methods was proposed. This is the interpretivist constructivist paradigm. This tradition argues against positivism that objectivism should be replaced with subjectivity in the process of inquiring of knowledge and interpreting reality (Flick, 2006; Miles and Huberman, 1994). This has led to the suggestion of an alternative theoretical, methodological, and practical approach to research. The next section will discuss the interpretivist qualitative research paradigm and their recommended approach to research.

4.3.2 Interpretivism: Qualitative Research Paradigm

According to interpretive researchers, reality is defined by people's subjective experience of the external world (Miles and Huberman, 1994). The ontological and epistemological grounding of the interpretivist paradigm is that reality is socially constructed, hence, their anti-positivist approach to science (Flick, 2006). They also believe that reality is multi-layered and complex (Cohen et al., 2000). In other words, a single phenomenon can have multiple interpretations. The interpretivist paradigm is marked by three schools of thought. These are phenomenology, ethnomethodology, and symbolic interactionism (see Table 4.2) (Cohen et al., 2000). Phenomenology rules out the possibility of any objective reality. Therefore, experience and reality are gained by interaction with the phenomenon. When humans interact with phenomena, they interpret them subjectively, thereby constructing new experiences. Ethnomethodology is concerned with the process of how commonsense reality is constructed through face-to-face interaction. It has to do with the interpretation of people's behaviour in their natural environment or social setting. Interactionism emphasises on interpretation of interactions between humans and from these interactions, social processes are derived (Cohen et al., 2000). According to this perspective, rather than reacting to each other's actions, humans interpret and define other's actions. In the interpretivist tradition, there are no correct or incorrect theories (Walsham, 1993). This is because the interpretation of phenomena, human behaviour in his/her natural environment is subject to the researcher's interpretation and how interesting it is to the researcher. In other words, the researchers try to derive their constructs from an in-depth examination of the phenomenon of interest. This is consistent with Reeves and Hedberg (2003) who describes the interpretivist paradigm as concerned with the understanding of the world from the subjective experience of individuals.

From the interpretivist premise, access to reality is through social constructions such as language, consciousness, and shared meaning. This is in line with the interactionist school of thought (Cohen et al., 2000). The interpretive paradigm uses a qualitative

approach to research. Their approach is underpinned by a variety of methods through which data or information is gathered (e.g. observations, interviews, and so on) and interpretation of the observed (drawing inferences from abstract patterns). According to Deetz (1996), this is an attempt to understand phenomena from a shared meaning, or from the meaning assigned to it by people assign. The qualitative tools of the interpretivist paradigm are summarised in Table 4.2.

The interpretivist's approach to research has been criticised for its problem of interpretation (Bryman and Bell, 2007) and the problem of data analysis (Miles and Huberman, 1994). These problems associated with qualitative research are linked to suspicion regarding the legitimacy of qualitative research, i.e. the validity, reliability, and especially the generalisability of qualitative research method of the interpretivist paradigm (Bryman and Bell, 2007; Denzin and Lincoln, 2005; Miles and Huberman, 1994). Despite the criticism of the lack of objectivity and generalisability of interpretivist research methods, Adelman, Jenkins, and Kemmis (1980) argued that the knowledge generated by the aggregation of single qualitative studies are significant in their right. Stake (1980) counters the claim that single qualitative studies are not an adequate basis for generalisations. In addition to the issue of generalisability, qualitative research methods have been critiqued for its poor replicability due to its methods of data collection (Mayers, 2000; Stake, 1980). These critiques of the interpretivist paradigm amongst others have contributed to the emergence of the third alternative approach to research, i.e. triangulation.

4.3.3 Triangulation

Triangulation in social sciences began with Campbell and Fiskel (1959), was further developed by Web et al. (1966) and elaborated by Denzin (1970). Triangulation in research is a verification procedure to increase the validity of research (Denzin, 1970; Yeasmin and Rahman, 2012). The debate regarding which research paradigm is appropriate for which research has contributed to the emergence of the concept of triangulation (Smith and Dainty,

1991). This 'paradigm debates' were between three schools of thoughts. These schools of thoughts are the purists, situationists, and pragmatists (Hassard, 1991). The purists argued that differing paradigms and different methods should not be mixed, while the situationists argued that certain methods are appropriate for specific types of research, and there is no 'one size fits all' regarding research methods. The pragmatists argue that the methods of different paradigms could be mixed when carrying out a single study. This helps the researcher to benefit from the advantages of different paradigms (Hassard, 1991). This pragmatist argument describes the concept of triangulation. In line with the pragmatists' argument, Hassard (1991) noted that combining the methods of different paradigms allows the researcher to utilise the richness of data fully. Triangulation attempts to overcome the weaknesses arising from the two different philosophical (i.e. quantitative and qualitative) approaches, by adopting several methods to study the same phenomenon (Jack and Raturi, 2006). As illustrated in Figure 4.1., triangulation in social sciences involves the combination of two or more paradigms, data sources, and methods for the purpose of quantitative validations and qualitative inquiries (Yeasmin and Rahman, 2012). Although, it is worth noting that this depends on the type or method of triangulation.

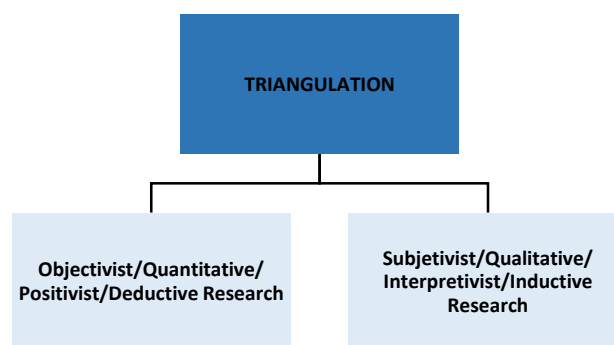


Figure 4.1 Triangulation Model

There are a variety of approaches to triangulation. Denzin (1970; 2006) identified data, investigator, theoretical, and methodological triangulation. Data triangulation refers to the sourcing of data through multiple sources in order to test a single phenomenon (Hussein, 2009). According to Denzin (2006) and Denzin (1989), there are three types of data triangulation. These are time, space, and person. While time refers to different points in the

research, space is when data is collected at more than one site, and person refers to the collection of data from more than one set of individuals, groups, or collectives (Denzin, 1989). Theoretical triangulation involves the use of multiple theoretical lenses for a single research study or to analyse a research problem (Hussein, 2009). Investigator triangulation refers to the situation where there are multiple observers or researchers carrying out the same research (Hussein, 2009). As for method triangulation, it involves the use of more than one methodological approach during an investigation in research (Hussein, 2009). Amongst these forms of triangulation, methodological triangulation best describes the term 'triangulation' (Yeasmin and Rahman, 2012). This is so because method triangulation occurs during the research design and data collection stage (Hussein, 2009). However, the type of triangulation applied is dependent on the type of research. Also, it is useful to note that these forms of triangulation have their strengths and weaknesses (Yeasmin and Rahman, 2012).

As mentioned above, triangulation is an intermediate approach to research. Researchers such as Patton (1990) and Brannick and Roche (1997) have argued that the matching of the research method to the research problems may result in debatable or problematic results (i.e. the situationists' arguments). Considering this, they recommend the use of both philosophical approaches of the objectivist and the subjectivist, i.e. using both qualitative and quantitative research methods, hence triangulating results. The intermediate philosophical stance just as the objectivists believe that reality exists. Intermediate philosophers also acknowledge subjectivism that humans contribute to its concreteness or refinement. Considering the epistemological stance of the intermediates, they believe that knowledge is not absolute. However, it can be tested. Therefore, the decision to retain or discard a given knowledge could be made (Holden and Lynch, 2004). According to Gordon (1991), the intermediates argue that it is possible to generalise or explain a phenomenon with the aid of triangulation given a research finding. Considering these arguments for triangulation, the main thrust of critique against the approach especially in social sciences has to do with its multi-theory and method approach in investigating reality. One of the main

reasons for introducing triangulation has to do with the criticisms against the qualitative and quantitative approaches to research, i.e. the issues of replicability and validity and bias (Golafshani, 2003; Zohrabi, 2013). According to Fielding and Fielding (1986), triangulation does not necessarily reduce bias and increase validity with its multi-theoretical and multi-methodological measures. Fielding and Fielding (1986) mentioned that combining methods and theories may give the researcher a fuller picture, however, such a picture may not be 'objective'. Considering this, combining methods should be for the purpose of adding breadth and depth to the research analysis, not for the purpose of pursuing an 'objective truth' (Fielding and Fielding, 1986: 33). Based on a similar argument, some researchers have called for the abandonment of the concept of triangulation and its terminology in social sciences (e.g. Denzin, 1978; Fielding and Fielding, 1986, McFee, 1992). The reason for such a suggestion is summarised in Blaikie (1991:131) as follows:

1. for a moratorium on the use of the concept in social science research
2. to identify the appropriateness and inappropriateness of combining methods and data sources due to the incommensurability of ontological and epistemological assumptions of methodological perspectives
3. to develop a suitable new label for these appropriate combinations

Irrespective of these arguments against triangulation, there is a consensus that triangulation can indeed increase the credibility of scientific knowledge by enhancing its internal consistency and generalizability (Hussein, 2015).

4.4 Chosen Research Design and Paradigm

As discussed in the previous section, researchers usually base their research on one or multiple paradigms, depending on the research problem. The underlying philosophical assumption for this study comes mainly from the positivists' quantitative research paradigm. As previously discussed, positivists' research paradigm and their

quantitative approach are often concerned with establishing a causal relationship between variables or concepts (Popper, 1959). This involves a deductive process. The deductive approach involves reasoning from the particular to the general in a way that follows a top-down logic. The deductive process of research begins with the review of theory, development of hypothesis based on reviewed theoretical perspectives or premises (Babbie, 2010; Monette et al., 2005; Popper, 1959; Wilson, 2001). This deductive process is illustrated in Figure. 4.2. This process of a deductive means of reasoning involves the 'reasoning from the general to the particular' (Gulati, 2009; Pelissier, 2008). Gulati (2009) describes a deductive approach to be a way of testing relationships between variables so as to isolate the causal link between them. Such relationships between variables are usually clearly depicted in the hypothetical statement for research (see the research model in Chapter 3, Figure 3.1: The Model of the Determinants of Trust). After the formulation of a hypothesis, the deductive approach follows through with the implementation of relevant research methods. These research methods are usually quantitative, and they reveal findings that show if the hypothesis is to be accepted or rejected. This is the process of validating the theory from which the hypothesis was formulated (Beiske, 2007; Snieder and Larner, 2009). This research has adopted this deductive process by presenting an extensive review of theory and the construction of hypotheses on trust and the determinants of trust in the boardroom.

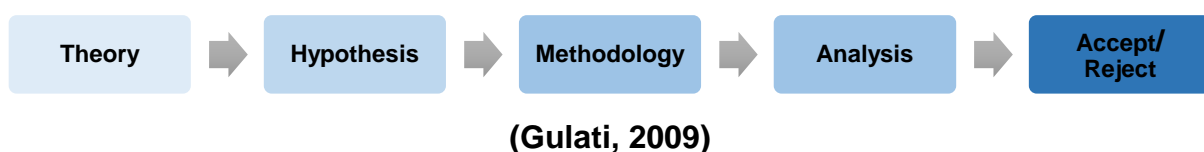


Figure 4.2 Deductive Process

Through generalisability and replicability, the validity and reliability of the deductive approach are ensured (Podsakoff and Dalton, 1987). Generalisability refers to the ability to generalise research findings beyond the specific context within which the research was conducted. Replicability refers to the means of checking if the research findings are applicable to other contexts. The deductive approach testing causal relationships are

commonly used in the stream of board process literature (Gabrielsson and Winlund, 2000; Huse, 2005; Minichilli et al., 2009; Van Ees et al., 2009; Wan and Ong, 2005; Zona and Zattoni, 2007). Within this stream of research, a quantitative research method is usually adopted (e.g. Gabrielsson and Winlund, 2000; Minichilli et al., 2009; Wan and Ong, 2005; Zona and Zattoni, 2007). Since this research is positioned in the board process literature, it would be adopting a similar approach. This is because the objective of this research is to test the relationship between trust and the determinants of trust (i.e. the cause and effect on trust in the boardroom), hence the appropriateness of a quantitative research method. Moreover, the quantitative research method is widely used in the social sciences field of study (Blumberg et al., 2008). The following section will discuss in detail the selected quantitative research method.

4.5 Research Method- Survey Research

Survey research is just one amongst several approaches to quantitative research. Other approaches include experiments, structured observations, content analysis, and secondary data analysis (Blumberg et al., 2008; Bryman and Bell, 2007). Survey research involves collecting information from a sample population using their responses to answer research questions (i.e. questionnaires). Survey research is a popular quantitative research tool commonly used in social sciences (Blumberg et al., 2008; Bryman and Bell, 2007). It owes its popularity to its versatility, efficiency, and generalisability (Bryman and Bell, 2007). Surveys are efficient in that many variables can be measured without substantially increasing time or cost. Surveys also allow the sampling of larger populations. This, therefore, makes generalisability of the sample population possible (Alreck and Settle, 2004; Bryman and Bell, 2007). The characteristics of a survey also highlight the versatility of survey research. The efficiency and success of a survey depend on the ability of the researcher to minimise two types of errors. These errors are: (1) errors of observation and (2) errors of non-observation. The error of observation has to do with poor measurement of variables that are being surveyed. This problem or error can stem from the way questions

are formulated and presented in the questionnaire, and the characteristics of the respondent. Non-observation errors refer to the omission of variables that should be included in the survey or when the intended measurement cannot be carried out. In the case of a non-observation error, there is an issue of an under-coverage of elements in the target population or the sampling frame. The sources of non-observation errors arise from a poor sample frame (i.e. covering inadequate population), engaging in random sampling, and non-response from respondents (Maylor and Blackmon, 2005).

There are two types of surveys, descriptive surveys and analytical surveys (Oppenheim, 2000). Descriptive surveys are used for fact-finding such as gathering information about what a population thinks about a subject matter and making predictions. Analytical surveys are designed to establish and explore causal relationships between variables and cases. This research used investigated the causal relationship between the determinants of trust and trust in the boardroom, hence the appropriateness of the analytical survey.

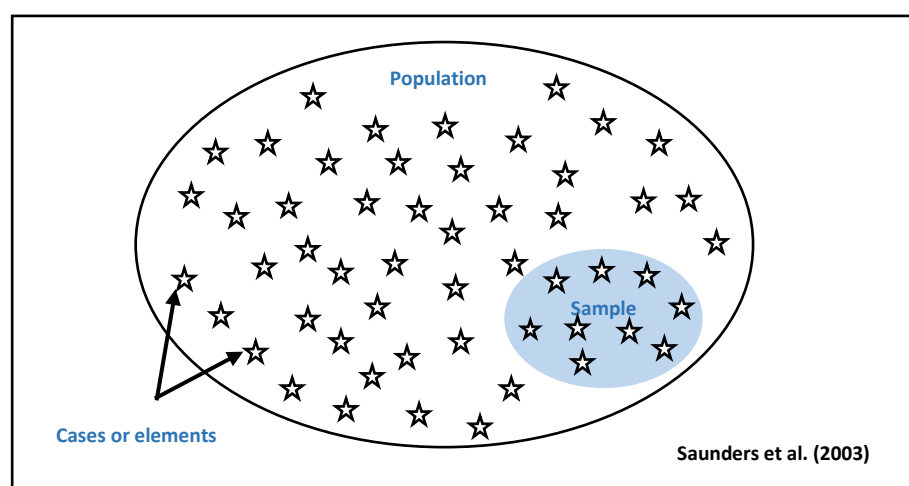
In sum, a hypothetical relationship between the determinants of trust and trust in the boardroom has been formulated through the review of the literature. Quantitative research will be conducted to test the research model and hypotheses. Data will be collected using a survey, and data collected will be analysed statistically. The sampling methods, measurements and scales, validity and reliability of the selected research design and method will be discussed in subsequent sections.

4.5.1 Sampling Method

In an attempt to answer a research question or achieve a research objective, it is impossible to utilise all the data available to a researcher due to the constraint of time, money, and often access (Saunders et al., 2003). A sampling technique offers a number of methods that helps the researcher to reduce the amount of data required to carry out research. Sampling methods allow a researcher to collect a sample data, cases or elements

that are representative of the population (Maylor and Blackmon, 2005). The full set of cases from which a sample is selected is called the population (Saunders et al., 2003: 151). The difference between a sample, cases and the population is illustrated in Figure 4.3. The sampling method selected by the researcher also makes a generalisation across the whole population possible.

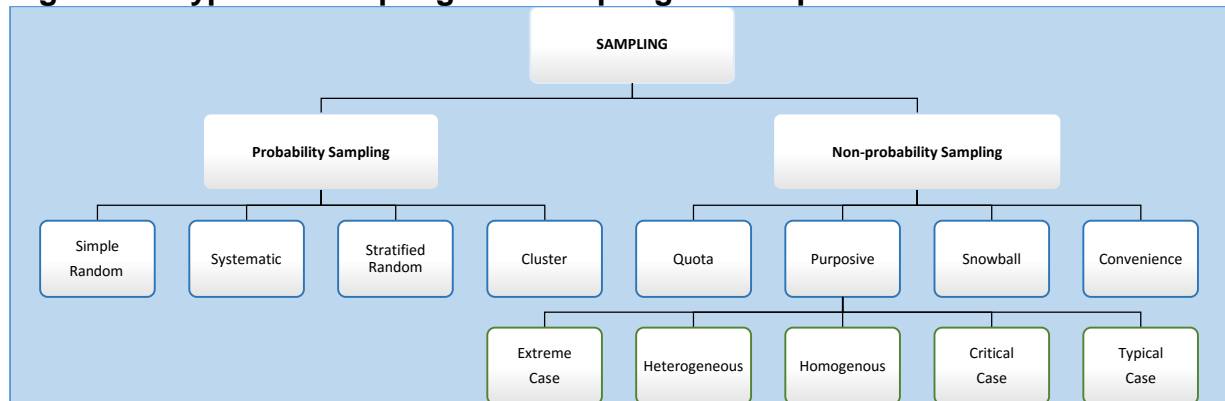
Figure 4.3 Population, Sample, and Cases



There are two principal types of sampling. These are probability and non-probability sampling (Blumberg et al., 2008; Maylor and Blackmon, 2005; Saunders et al., 2003). Probability sampling is usually associated with survey-based research. This sampling method requires making inferences from a sample of a population to answer research questions. To do this, a suitable sampling frame in line with the research question should be identified; a sampling size should be decided, selecting an appropriate probability sample technique, and checking if the sample is representative of the population using statistical inferences (Saunders et al., 2003). With probability sampling, each case selected from the population is known. As for non-probability sampling, cases selected from the total population are unknown, and it is impossible to use statistical inferences to answer research questions (Saunders et al., 2003). A probabilistic and non-probabilistic sampling are alternatively known as random sampling and non-random sampling (Blumberg et al., 2008; Brymon and Bell, 2007). These alternative references to probabilistic and non-probabilistic samplings are

associated with their sampling techniques. These techniques are illustrated below in Figure. 4.4 which shows the various techniques associated with the two sampling methods (i.e. probability sampling and non-probability sampling).

Figure 4.4 Types of Sampling and Sampling Techniques



(Saunders et al., 2003)

In Figure 4.4, the techniques associated with probabilistic sampling are simple random sampling, systematic sampling, stratified sampling, and cluster sampling (Blumberg et al., 2008; Brymon and Bell, 2007; Saunders et al., 2003). Simple random sampling involves selecting a random sample from a complete list of the population using either a random number table. Systematic sampling involves selecting samples at a regular interval from a sampling frame. Stratified random sampling is a modified form of simple random sampling, and it involves dividing a larger population into two or more relevant and significant strata (Saunders et al., 2003). The population is divided into subpopulations based on one or more attributes, after which random samples are obtained from them. Cluster sampling just like stratified sampling divides the population into discrete groups before sampling. These groups are naturally occurring clusters or groups.

Unlike probabilistic sampling, non-probabilistic sampling does not involve random selection from a research population. Non-probabilistic techniques are quota sampling, purposive sampling, snowball sampling, and convenience sampling (Blumberg et al., 2008; Brymon and Bell, 2007; Saunders et al., 2003). Quota sampling is similar to stratified sampling but its technique is entirely non-random, and it is usually used for interview

surveys. The researcher non-randomly selects subjects from unidentified strata until the desired number is achieved. Purposive sampling alternatively known as judgemental sampling is when the researcher uses his/her judgement to select cases that best answers a research question or meets a research objective (Saunders et al., 2003). Snowball sampling is usually used when there is difficulty in identifying members or cases of the desired population. In this scenario, the actual size of the population is usually unknown. It involves the researcher identifying one or fewer cases or subjects that link other subjects with similar characteristics. Convenience sampling involves selecting samples for a research haphazardly. An example of such a sampling technique involves conducting a random interview with random respondents on the street. The sample selection continues until the desired sample size is achieved.

Considering the different types of sampling and their techniques, this research will be adopting the probabilistic sampling method and will be using a random sample method. The following sub-section will discuss the sampling frame for this research.

4.5.2 Sampling Frame

The population of the study was extracted from the Morningstar Company database and the database of business contacts available to the University of Wolverhampton Business school. Morningstar, formerly known as Hemscott, is a database subscribed to by the University of Wolverhampton. The database provides fundamental information on the United Kingdom's top300,000 companies which includes charts, ratios, latest news, and descriptive information about directors. Using the Morningstar and the University of Wolverhampton databases, information about UK listed companies and their directors were extracted. The information obtained about companies include the number of employees and the turnover of these companies. Information about the characteristics of the board of directors of these companies was also obtained from the database. These include the number of directors sitting on the board, the contact details of the directors, the proportion of

male to female directors, the proportion of executive and non-executive directors, and the presence of CEO duality. Although, some of this information was included in the survey to obtain a more recent overview of the corporate boards. From the Morningstar and the University of Wolverhampton Faculty of Social Sciences contacts' database, 905 companies that have corporate boards were selected for the sampling frame. The primary contact for these companies were the Chief Executive Officers.

4.5.3 Validity and Reliability of Research Design

When conducting a survey study, there are some things to consider in collecting high-quality data. Amongst these are the validity and reliability of the research tool. The reliability and the validity of a research instrument are mainly rooted in positivist epistemology or quantitative research (Watling, 2002). Validity is concerned with the accuracy of the research tool or instrument and the degree to which it (i.e. survey) measures what it is expected to measure (Hinton, 2004). When developing a survey tool, the face validity of the survey is usually considered. Face validity of the survey refers to what extent the survey appears to measure what it is meant to measure (Gravetter and Forzano, 2012). There are also other forms of survey validity that should be considered. These are the content validity, internal validity, and external validity of the survey amongst others. These types of validities were discussed in this chapter in Section 4.3: Research Paradigm. To ensure the content validity of the research instrument (i.e. survey), an extensive review of the literature on theories and the research findings on the subject being researched (i.e. trust) was carried out. The questions included in the survey were ensured to reflect the issue being researched. For example, the operationalisation of the measures used for trust and its determinants were checked against the relevant content domain of the constructs used in the questionnaire. The measures used for trust and its determinants were derived from the board and team literature that have previously tested these measures or constructs. Although, modifications were made to the constructs to suit the purpose of this research. The constructs used to measure trust and its determinants will be listed in the following sections.

As previously discussed in Section 4.3, internal validity refers to the ability of the researcher to make causal inferences between variables while external validity refers to an extent in which the result can be generalised from the sample of study to the entire population. To ensure internal and external validity, this research adopted a quantitative research strategy. A model showing the casual relationship between trust and its determinants was developed (see Figure 3.1: The Model of Trust and its Determinants) from the critical review of the literature. Also, to ensure the generalisability of the findings of the proposed relationship, a survey research was adopted. The administration of the questionnaire will be discussed in later section.

According to Joppe (2000), the reliability of a research instrument has to do with the replicability and consistency of the research under a similar methodology. Corbetta (2003) and Best and Kahan (2006) similarly explained reliability as the degree in which the concept of measurement produces the same result when the same tool is used. To achieve this, the researcher has used questions tested for validity and reliability in previous research, by adapting it to suit this research's objectives. According to Cohen et al. (2012), there are three common ways of measuring the reliability of a questionnaire. These are test, re-test, split-half, and internal consistency methods. Testing and re-testing for reliability is accomplished by administering the same questionnaire twice over a period to the same group or respondents. Split-half reliability is when the test is split into two halves and compared for similarities and differences. After comparing the two halves, similar results will suggest a level of reliability of the research instrument. Internal consistency reliability is a measure based on the level of correlation between items or variables being tested. Internal consistency is usually measured using the Cronbach's alpha (α) which is calculated using a pairwise correlation, a statistical tool. In this study, the internal consistency method was used to find out the reliability of the items in the questionnaire and will be shown by the alpha (α) values which will be reported later in this chapter.

4.6 Questionnaire Design and Format

To carry out the survey, the questionnaire was divided into 5 sections was designed. The first section covered board practices measuring trust and four of its determinants with a 7-point Likert scale using 30 items. The 7-point scale was ranked as follows: 1 is ranked as strongly disagree, 2 for disagree, 3 for slightly disagree, 4 for neither disagree nor agree, 5 for slightly agree, 6 for agree and 7 for strongly agree. The items measured in this section were trust, board cognitive conflict, the perception of board members' competencies, communication efficacy, and board affective conflict. Trust was measured using six statements adopted and modified from Langfred's (2004) and Simons and Peterson's (2000) measures of intra-team trust. The determinants of trust are divided into cognitive determinants and affective determinants (see Chapter 3, Figure 3.1: The Model of Trust and its Determinants). The cognitive determinants of trust measured in this section are a board's cognitive conflict, the perception of board members' competencies, and communication efficacy. For board members' cognitive conflict, measurements proposed by Wang and Ong (2005) and Jehn (1995) were adopted. Statements measuring the perception of top management abilities were modified from Mayer and Davis (1999) to measure the perception of board members' competencies. As for communication efficacy, measurements were adopted from Hassall (2009) who measured how team and task explain variance in communication. The affective determinants of trust are a board's affective conflict and board members' familiarity. Only board affective conflict was measured in the first section. The statements measuring affective conflict were adapted from Ong and Wan (2005) and Jehn (1995).

The second section was designed to measure a board's familiarity using a 4-point Likert scale and consisted of 15 items. This measurement of board familiarity was adopted from Maynard (2007). For the 4-point scale, 1 is ranked as not at all, 2 as to a limited extent, 3 as to a reasonable extent, and 4 as to a great extent. Trust, and its first five determinants were measured differently to familiarity (i.e. 7-point Likert scale and 4-point Likert scale) to

ensure consistency with the source of the components used to measure the main variables in the questionnaire. Moreover, trust, cognitive conflict, communication efficacy, the perception of board members' competence, and affective conflict were measured using statements that described practices in the boardroom. A Likert scale describing the extent to which the respondents agree to the statements as a description of the practices was imperative in capturing the variables considered in this research. For this reason, a 7-point Likert scale was used as a measure. As for familiarity, the measure adopted contrasted from that of other variables. Rather than statements, familiarity consisted of 15 items identifying different levels of familiarity (i.e. personal life, professional life, and personality). Board members were to describe the extent to which they are familiar with their co-members using these items, hence the appropriateness of a 4-point Likert scale.

The third section of the questionnaire covered information about the board the respondent was sitting on. This section is designed to obtain data on variables that moderate the relationship between trust and the determinants of trust (i.e. board tenure and board meeting frequency).

The fourth and fifth sections were used to gather information about the organisation and the respondent respectively. The fourth section was designed to obtain data on board and firm control variables. These variables are commonly referred to as the 'usual suspects' of board research (Finkelstein and Mooney, 2003; Machold et al., 2011). The fifth section was completely optional to the respondents, and it was designed to gather data about the respondents regarding the board they were presiding on.

Finally, a cover letter introducing the purpose of the study and its importance was composed. In the letter, respondents were also assured of the confidential nature of their responses and how the information they have provided was to be used. A sentence expressing gratitude to the respondents for choosing to participate in the survey was further issued. The cover letter was then attached to the questionnaire.

4.6.1 Pilot Test

A pilot test of the questionnaire was conducted in May 2015. The pilot test was used to examine the wording, sequencing, and the layout of the questionnaire (Veal, 2005). Three board members participated in the pilot test. The researcher made contact with one of the three board members who assisted in administering the questionnaire to the other two. These participants proffered recommendations regarding the structure of the questionnaire and the wording of its items. Some of these recommendations were taken on board, and the final draft of the questionnaire was produced.

4.6.2 Response Rate

The cover letter and the pretested questionnaire were administered between May 2015 and July 2016. Between May 2015 and May 2016, the questionnaire was e-mailed to respondents on an E-survey platform: SurveyMonkey. The point of contact of these emails were the CEOs of the 1203 companies included in the company database extracted from Morningstar and the University of Wolverhampton database. This research has used CEOs as the point of contact in a way that is consistent with a vast amount of corporate governance studies for two reasons: one, there is difficulty in gaining access to primary data on boards of directors, hence the reason to use a single respondent (e.g. Zona and Zattoni, 2007; Minichilli et al., 2009; Pearce and Zahra, 1991; Zahra, 1996; Zahra, Neubaum and Huse, 2000). Two, boards of directors have a tendency to conduct their meetings in secrecy and are usually less open on activities that are carried out in the boardroom (e.g. Daily, Dalton and Cannella, 2003; Pettigrew, 1992).

The response rate of the E-survey is reported in Table 4.3. Due to the low response rate, the E-survey was re-administered as a follow-up between May 2016 and June 2016 to enhance the response rate. The response rate of the re-administered questionnaire remained low as only one respondent replied (see Table 4.3). To enhance the response rate, copies of the questionnaire were printed. Companies that are public corporations (such

as councils) and companies with bounced emails - reported in Table 4.3 - were taken out of the database, amounting to 298 contacts. The printed questionnaires were then mailed out to the remaining 905 respondents via post. The mailed questionnaire produced 97 (i.e. 10.7%) responses. A summary of the mailed questionnaire is reported in Table 4.4.

Table 4.3: Morningstar and University Database E-Survey Response Rate

1203 Questionnaires	Number	Percentage
Opened Emails	274	22.8%
Unopened Emails	773	64.3%
Bounced Emails	77	6.4%
Responses Rate	7	0.58%
Follow-up Email Response	1	0.083
Total Responses	8	0.67%

Table 4.4: Post Questionnaire Response Rate

905 Questionnaires	Number	Percentage
Responses (First Wave)	75	8.29%
Responses (Second Wave)	14	1.5%
Follow-up	8	0.88%
Non-responses	808	89%
Total Response Rate	97	10.7%

4.6.3 Summary of Data Collected on Trust and its Determinants

The data obtained from the administered questionnaire has revealed some significant findings regarding board behaviour and the atmosphere in the boardroom regarding trust and its determinants. Based on the responses received regarding the level of trust in the boardroom, directors widely held that there was a high level of trust among their directors. As depicted in Figure 4.5, 88% of the directors either agreed or strongly agreed that there was a high level of trust within their board. On a scale of 1 to 7, a higher percentage of directors ranked the level of trust in their boardroom as 7.

As illustrated in Figure 4.6, the vast majority of directors said that their board members possessed the required skills and experience needed to carry out board tasks and oversee the company. 78% to 90% of the directors strongly agreed that they were confident

in their fellow directors' competencies. Regarding how board members perceive each other's competencies, directors have mostly ranked themselves as '7' on the scale of 1 to 7 (see Figure 4.6). Also, 78% of the directors said that the members of their board were capable of carrying out board tasks.

Regarding cognitive conflict, 78% of directors who participated in the study signified that overall the discussions in the boardroom were usually open and candid, and often resulted in clear decisions. In the process of engaging in task-related conflict, 78% of the directors said that the viewpoints of other members were often considered. Also, that the atmosphere in the boardroom often encouraged critical thinking (see Figure 4.7).

Directors have widely responded to the survey by stating that communication in their boardroom was averagely frequent and task-related. The data gathered showed that a lowly 19% of directors strongly agreed that the communication in their boardroom was effective. More directors agreed or slightly agreed that the communication during board interactions were frequent and task-related. Specifically, 44% of the directors stated how the board's tasks which were accomplished was unclear. This implies that the level of communication efficacy is average at around 50% in the boardroom (see Figure 4.8).

From a scale of 1 to 7, 77% of directors responded to the survey by stating that there were hardly any emotional or personal rifts between fellow directors. 80% of the directors strongly agreed that they got along very well with other directors in the boardroom. Overall, the level of board affective conflict in the boardroom was low (see Figure 4.9).

The level of familiarity in the boardroom of the sample is high, as most directors stated that they were familiar with their co-directors either to a great extent or to a reasonable extent. Where 91% stated that they were familiar with each other's professional lives to a great extent, 94% said that they were familiar with each other's personalities. However, the director stated that they were less familiar with each other's personal lives (see Figure 4.10).

Figure 4.5: Board of Directors' Trust

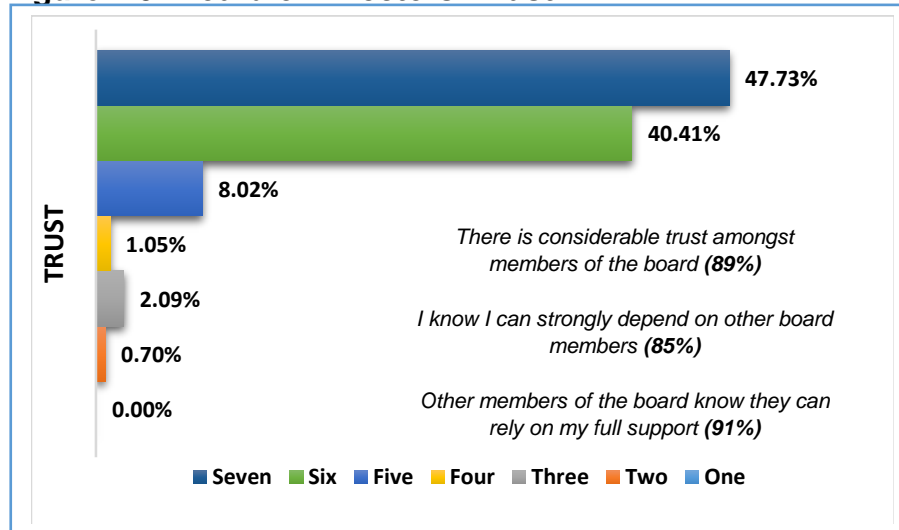


Figure 4.7: Board of Directors' Cognitive Conflict

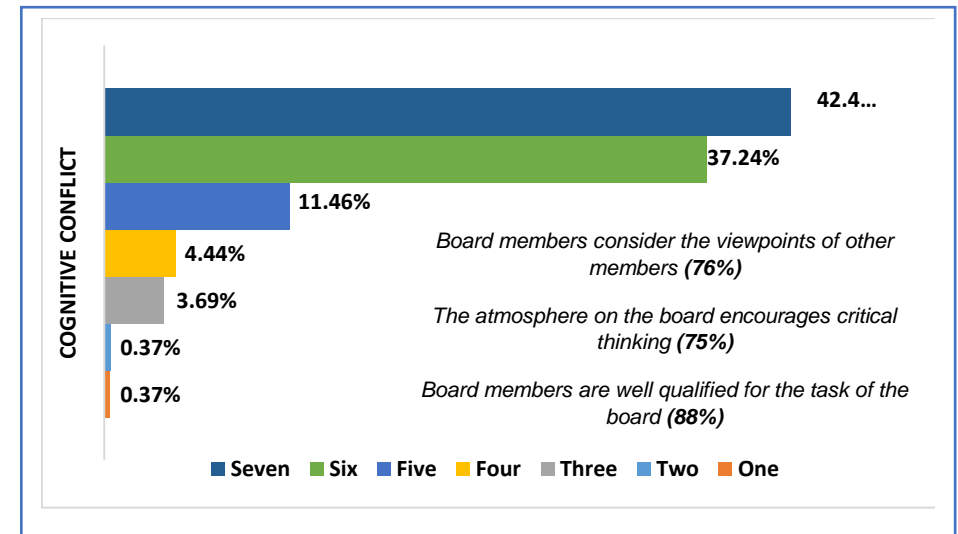


Figure 4.6: Board of Directors' Perception of Competence

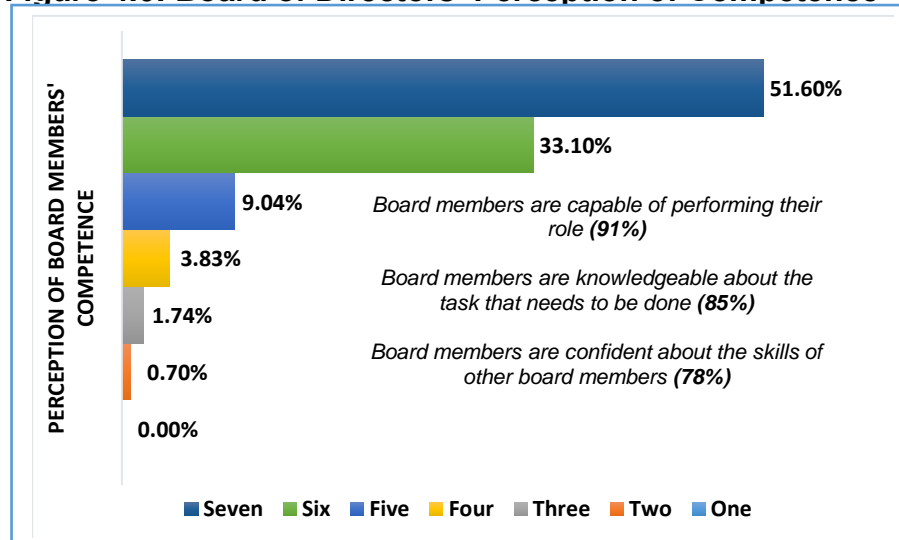


Figure 4.8: Board of Directors' Communication Efficacy

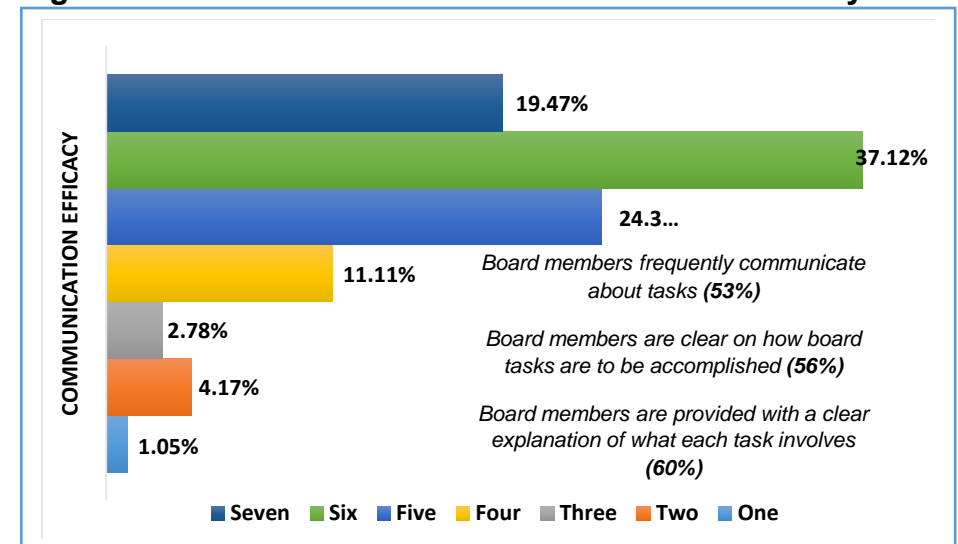


Figure 4.9: Board of Directors' Affective Conflict

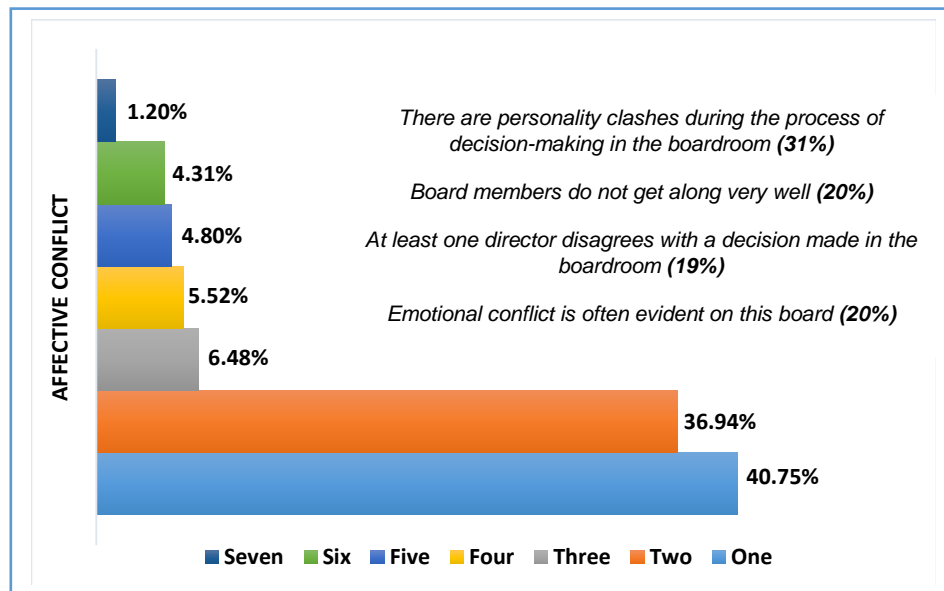
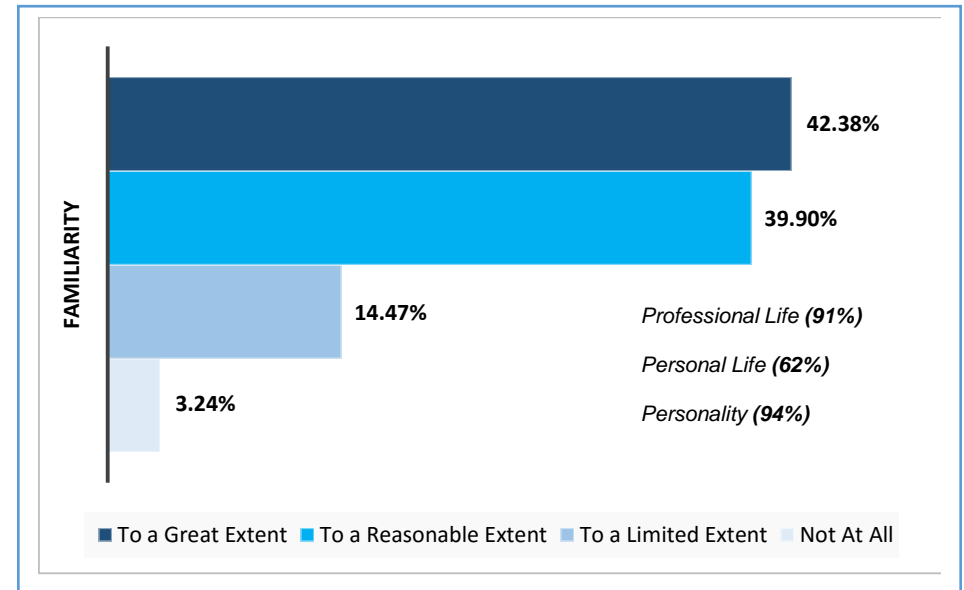


Figure 4.10: Board of Directors' Familiarity



4.6.4 Non-Response Bias

Selection bias is one of the problems associated with a survey study. This bias is commonly due to the choice of firms selected for the survey study (Balasubramanian et al., 2007). In an attempt to investigate the determinants of trust in the boardroom, the study focused on companies who have corporate boards. This excludes the boards of public sector corporations, such as councils and small companies, with only one director rather than a team of directors. To carry out a response bias test, a comparison of the respondents and the non-respondents' company sizes (measured by the number of employees), and the characteristics of their businesses (in terms of their sectors within which they operate) was carried out. This is reported in Tables 4.5 and 4.6. The comparison shows that there is no significant differences between the respondents and the sample - indicating that there is no non-response bias.

Table 4.5: Sample Characteristics of Business Sector

Business Sectors	Number of Responding Companies	Response Sample % (n=97)	Original Sample % (n=905)
Construction Sector	9	9.3% (9)	10.3% (93)
Manufacturing Sector	27	27.8% (27)	20.2% (183)
Financial Sector	19	19.6% (19)	20.4% (185)
Service Sector	42	43.3% (42)	49.1% (444)
Total	97	100%	100%

Table 4.6: Sample Characteristics of Business Size

Number of Employees	Responding Companies	Response Sample (n=97)	Original Sample (n=905)
0-499	41	42.1% (41)	40.5% (367)
500-999	9	9.1% (9)	10.3% (93)
1000-1999	10	10.6% (10)	10.7% (97)
2000-3000	7	7.1% (8)	8.1% (73)
3000 and above	30	30.1% (29)	30.4% (275)
Total	97	100%	100%

4.6.5 Common Method Bias

Common method bias is another type of bias peculiar to a survey study which is the measure of error that could potentially threaten the validity of the conclusions that will be drawn upon the statistical result of this research (Podsakoff, Mackenzie, and Podsakoff, 2012). This bias is investigated by observing the systematic percentage variance that could make the conclusions of a statistical result unsound (Bagozzi and Yi, 1990; Doty and Glick, 1998). To carry out a test for common method bias, either a procedural or a statistical measure can be used. The procedural measures are used to examine the approach of data collection and the instrument design, while the statistical method is used to test and control the influences of common method bias (Podsakoff, Mackenzie, and Podsakoff, 2003).

As highlighted in Podsakoff, Mackenzie, and Podsakoff (2003), the measures for testing common method bias using the procedural method include: (1) Adopting the measures of the predictors from different sources; (2) Using temporal, proximal, psychological or methodological separation of measurement; (3) Protect respondent anonymity and reduce evaluation apprehension; (4) Counterbalance question order and (5) Improve scale for the items. This research has adopted two of the procedural methods (i.e. protecting respondents anonymity and improving the scale items) to test for common method bias. To protect respondents' anonymity, the cover letter attached to the questionnaire

assured respondents of the confidentiality of their responses; that the names of their companies nor the names of the respondents would not be included in the final report. As for ensuring an improved scale for the items being measured, a pilot test was carried out on the survey instrument. This is to make sure that the questions are unambiguous, succinct, and straight to the point.

The statistical methods for testing for common method bias include: (1) Harman's single factor test; (2) Partial correlation procedures; (3) Control the effects of a directly measured latent method factor; (4) Control the effects of an unmeasured latent method factor and (5) Multiple methods factors (multi-traits multi-method, i.e. confirmatory factor analysis model, correlated uniqueness model, and direct product model). The Harman's single factor method is the most widely used method in literature to test for common method bias (Podsakoff, Mackenzie, and Podsakoff, 2003). This study adopted the Harman's single factor as a statistical method for testing for common method bias. To do this, all the measures of the variables considered in this research (trust, cognitive conflict, the perception of board members' competence, communication efficacy, affective conflict, and familiarity) were loaded onto a factor analysis on SPSS, but the factor extraction was constrained to one factor. Also, no factor rotation was adopted in this process. From the results reported on the 'Total Variance Explained' table, the first component is taken into consideration to ensure that the percentage of variance explained is not more than 50% of all the variables in the model. This implies that the instrument used in the research is free from a significant common bias effect. The Harman's single factor method was carried out and is reported in Table 4.7. The percentage of variance explained is 41% which shows that common method bias is not likely to be viewed as a problem.

Table 4.7: Common Method Bias

Total Variance Explained						
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	11.911	41.071	41.071	11.911	41.071	41.071

Extraction Method: Principal Component Analysis.

4.7 Factor Analysis

This section presents a factor analysis of the items used to measure trust and its determinants. The analysis that was carried out to ensure the reliability and validity of these items will also be presented in this section. Before this, a factor analysis was performed to examine the interrelationships between the variables and if the variables are linked to their underlying factors. Carrying out a factor analysis involves a collection of steps used to examine how a construct influences responses to the variables being measured. These steps are to carry out a correlation matrix, a factor extraction, factor rotation, and the computation of factor score. However, before carrying out a factor analysis, a preliminary test (i.e. the Kaiser-Meyer-Olkin test and Bartlett's test of sphericity) is required to find out if it is appropriate to proceed with a factor analysis. The following section reports the Kaiser-Meyer-Olkin test and Bartlett's test of sphericity.

4.7.1 Kaiser-Meyer-Olkin and Bartlett's Tests

The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is used to compare the magnitude of the observed correlation coefficients to the magnitude of the partial correlation. The KMO value varies between 0 and 1. If the KMO value is or closer to 0, the sum of partial correlation is large compared to the sum of correlations, and this implies that a factor analysis is likely to be inappropriate. When the KMO value is or is closer to 1, the patterns of correlations is compact, and a factor analysis is more likely to produce reliable and distinct factors. According to Kaiser (1974), KMO values greater than 0.5 are acceptable. Furthermore, KMO values between 0.5 and 0.7 are mediocre, 0.7 and 0.8 are good, 0.8 and 0.9 are great, and values above 0.9 are superb (Burns and Burns, 2008; Hutcheson and Sofroniou, 1999; Kaiser, 1974). As for Bartlett's test of sphericity, this is used to test the null hypotheses by comparing the observed correlation matrix to the identity matrix so as to check for redundancy between the variables that could be summarised with a

fewer number of factors. For a factor analysis to be carried out, the correlation matrix must be the identity matrix, and this is depicted when all correlation coefficients are zero with a significance of less than 0.001.

Table 4.8: Kaiser-Meyer-Olkin Test for Trust, Cognitive Conflict, Communication Efficacy, Perception of Board Members' Competence, Affective Conflict

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.862
Bartlett's Test of Sphericity	Approx. Chi-Square	2113.615
	Df	435
	Sig.	.000

KMO and Bartlett's Test (Trust, Cognitive Conflict, Communication Efficacy, Perception of Board Members' Competence, Affective Conflict)

A KMO and Bartlett's tests were carried out on the constructs used to measure trust, board cognitive conflict, board communication efficacy, the perception of board members' competence, and board affective conflict as depicted in Table 4.8. Table 4.8 reports that values of KMO measure of sampling adequacy at 0.862 and Bartlett's test of sphericity value at a significance of 0.000. These values imply that it is safe to carry out a factor analysis because the KMO value is adequately greater than 0.5 and Bartlett's test significance is less than 0.001. These results suggest that it is safe to progress into a factor analysis of the constructs.

Table 4.9: Kaiser-Meyer-Olkin Test for Familiarity

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.807
Bartlett's Test of Sphericity	Approx. Chi-Square	844.300
	Df	105
	Sig.	.000

KMO and Bartlett's Test (Board Familiarity)

Table 4.9 is the KMO and Bartlett's test for board members' familiarity. Separate tests were undertaken because their scales of measurement were different. Where a 7 point Likert scale was used to measure the former, board familiarity was measured using a 4 point Likert scale. The separate tests were to ensure consistency of the scales of the

constructs. Table 4.9 reports the value of KMO measure of sampling adequacy at 0.807 and Bartlett's test of sphericity value at a significance of 0.000. These values are also satisfactory to progress into the factor analysis of the constructs.

As it was for the KMO and Bartlett's test, a factor analysis was carried out for trust, cognitive conflict, communication efficacy, the perception of board members' competence, and affective conflict and for board familiarity separately. Factor analysis is usually carried out in three main stages which are in the form of tables showing the correlation matrix, factor extraction, factor rotation, and factor scores. The first stage which is the correlation matrix is used to investigate the dependence between multiple variables at the same time. The methods of doing this are the Pearson parametric correlation test and the Spearman and Kendall rank-based correlation analyses.

The second stage is the factor extraction. This is when the factor weights are computed so as to extract the maximum possible variance in a successive factoring until there is no further meaningful variance left. A common way of doing this is carrying out a principal component analysis (PCA) which involves an orthogonal or linear transformation of observations of possibly correlated variables into a set of values that are linearly uncorrelated variables (Burns and Burns, 2008; Hair et al., 1987). This stage of factor analysis is usually reported in a table called 'total variance explained'. The table is used to decide which factors will be utilised for further analysis, and these factors are determined by their eigenvalues. Factors with eigenvalues greater than one are usually considered as they explain more variation in the items or variables being measured (Kaiser, 1974). Apart from using eigenvalues to decide on factors, there is also the scree plot. The scree plot is utilised in a principal component analysis to visually display the eigenvalues associated with a component or a factor in descending order in a graphical illustration (Cattell, 1978). Based on the curve in the scree plot, the number of factors are selected till the inflexion point of the curve. The point the curve begins to even out shows eigenvalues that explain minor variations in the factors that are usually lesser than one.

The third stage of the factor analysis is the rotation of factors. Factor rotation is carried out to enhance the interpretation of the factor solutions by showing the factors on which the items of the variables that are being examined are loaded (Burn and Burn, 2008). In the result of the factor rotations, items that do not load satisfactorily on factors reported in the 'factor extraction table' (i.e. items with component values of below 0.5) are excluded from further analysis. In social sciences, varimax is the mostly commonly used form of factor rotation, and this method was adopted for the purpose of this research.

Having considered the stages involved in a factor analysis, more attention was given to the results of the factor extraction and the factor rotation for the purpose of interpretation. Table 4.10 and Table 4.11 presents the factor extraction and factor rotation results for the measures of trust, board cognitive conflict, the perception of board members' competence and board affective conflict. As for the results of the factor extraction and rotation on the measures of board members' familiarity, this is presented in Tables 4.12 and 4.13 respectively.

Table 4.10: Factor Extraction for Trust, Cognitive Conflict, Perception of Board Members' Competence, Communication Efficacy, and Affective Conflict

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	12.555	41.851	41.851	12.555	41.851	41.851	4.722	15.741	15.741
2	1.958	6.527	48.378	1.958	6.527	48.378	4.443	14.810	30.552
3	1.795	5.985	54.363	1.795	5.985	54.363	3.346	11.152	41.704
4	1.550	5.166	59.529	1.550	5.166	59.529	2.691	8.970	50.674
5	1.416	4.719	64.248	1.416	4.719	64.248	2.404	8.012	58.686
6	1.157	3.856	68.104	1.157	3.856	68.104	2.067	6.891	65.577
7	1.066	3.552	71.657	1.066	3.552	71.657	1.455	4.849	70.426
8	1.006	3.352	75.009	1.006	3.352	75.009	1.375	4.583	75.009
9	.863	2.876	77.886						
10	.795	2.649	80.534						
11	.754	2.515	83.049						
12	.668	2.227	85.276						
13	.548	1.827	87.103						
14	.475	1.584	88.687						
15	.441	1.470	90.157						
16	.367	1.225	91.382						
17	.341	1.136	92.518						
18	.304	1.013	93.531						
19	.272	.908	94.438						
20	.267	.889	95.328						
21	.237	.789	96.117						
22	.206	.687	96.803						
23	.174	.578	97.382						
24	.166	.554	97.935						
25	.147	.490	98.425						
26	.139	.462	98.887						
27	.108	.359	99.246						
28	.093	.310	99.556						
29	.071	.236	99.793						
30	.062	.207	100.000						
Extraction Method: Principal Component Analysis.									

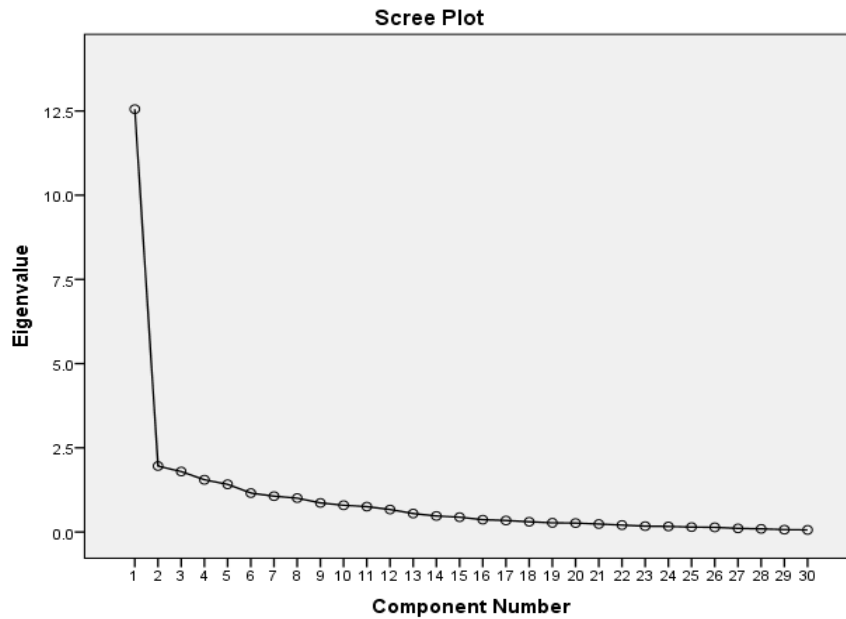


Figure 4.11: Scree Plot for Trust, Cognitive Conflict, Perception of Board Members' Competence, Communication Efficacy, and Affective Conflict

Table 4.10 and Figure 4.11 shows the results of the factor extraction carried out on the first 30 items in Section 1 of the questionnaire (see Appendix 1). These items were used to measure trust, cognitive conflict, the perception of board members' competence, communication efficacy, and affective conflict. The result of the factor extraction suggests an 8-factor solution. The 8 factors extracted all have eigenvalues of 1 and above accounting for 75% of the variance. The eigenvalues are depicted in the scree plot in Figure 4.11 on the eighth point of the curve from the which the curve begins to flatten out.

Table 4.11: Factor Rotation for Trust, Cognitive Conflict, Perception of Board Members' Competence, Communication Efficacy, and Affective Conflict

Rotated Component Matrix ^a								
Items		Component						
		1	2	3	4	5	6	7
1	There is considerable trust amongst members of the board	.275	.655	.421	.017	-.342	.132	-.007
2	I know I can strongly depend on other board members	.134	.729	.325	.046	-.235	.312	.008
3	Other members of the board know they can rely on my full support	.129	.770	.208	.168	-.077	.245	.031
4	I trust all members on my board	.493	.394	.182	-.016	-.261	.368	.016
5	Board members have complete trust in each other's level of competence	.229	.149	.673	.092	-.336	.308	-.027
6	Board members operate with absolute integrity	.715	.165	.310	.141	-.043	.204	-.003
7	Board members consider the viewpoints of other members	.674	.367	.169	.091	.073	.272	-.103
8	Decisions are arrived at amicably	.303	.695	.226	.294	-.106	.057	.010
9	Discussions are open and candid	.288	.569	.090	.482	.293	.221	.079
10	The atmosphere on the board encourages critical thinking	.760	.055	.152	.312	-.036	.056	.007
11	Discussions at board meetings often result in a clear decision	.483	.313	.422	.233	-.123	-.105	-.163
12	It is common for the directors of this board to have differences of opinions	-.015	.267	.034	-.037	.239	.004	-.138
13	Board members are capable of performing their role	.384	.253	.748	.073	.024	-.042	.106
14	Board members are knowledgeable about the task that needs to be done	.340	.242	.751	.234	-.083	.168	.117
15	Board members are successful in the things they try to do	.161	.253	.424	.240	-.201	.575	.032
16	Board members are confident about the skills of other board members	.200	.353	.641	.102	-.186	.275	-.138
17	Board members have specialized capabilities that can help to increase board performance	-.003	.009	.067	-.042	-.065	.042	.938
18	Board members are well qualified for the task of the board	.659	.133	.379	.066	-.142	.172	.227
19	Board members communicate frequently about tasks	.120	.047	-.006	.784	-.127	.137	-.172
20	Board members spend a lot of time discussing how tasks are to be completed	.117	-.117	.015	.483	-.188	.138	.239
21	Board members are clear on how board tasks are to be accomplished	.185	.259	.302	.707	-.094	.162	-.142
22	Board members are provided with a clear explanation of what each task involves	.170	.208	.179	.726	-.085	-.080	.181
23	Board members understand how to perform their duties	.277	.324	.150	.244	-.124	.403	-.335
24	There are personality clashes during the process of decision-making in the boardroom	-.120	-.478	-.135	-.062	.658	-.318	.047
25	Board members do not get along very well	-.571	-.453	-.054	-.100	.467	-.189	-.139
26	Board members are not ready to cooperate	-.352	-.651	-.146	-.107	.377	.012	.191
27	At least one director disagrees with a decision made in the boardroom	-.164	-.115	-.168	-.160	.734	-.045	-.058
28	Emotional conflict is often evident on this board	-.602	-.284	-.156	-.162	.482	-.162	-.159
29	Anger occurs amongst some members of the board at most meetings	-.744	-.152	-.183	-.053	.326	.040	.266
30	There is rarely any personal friction between directors at the board meeting	-.167	-.192	-.102	-.060	.074	-.783	-.065
Extraction Method: Principal Component Analysis.								
Rotation Method: Varimax with Kaiser Normalization.								
a. Rotation converged in 11 iterations.								

Table 4.11 shows the factor loadings of the eight-factor model reported in Table 4.10. Factor loadings with values greater than 0.4 are considered as significant and were included in the construct of variables being measured (Hair et al., 1987). The items that have significant cross-loadings (>0.4) were excluded.

The first factor is predominantly cognitive conflict items (i.e. items 4, 6, 7, 10, and 18) and is thus termed cognitive conflict. Item 11 was cross-loaded on two factors and

was thus excluded. As for items 4 and 6, these were excluded from the construct as these items do not capture the concept of cognitive conflict in the boardroom.

The second factor mainly consists of items measuring trust. These items are 1, 2, 3, 8, and 9. Item 9 is cross-loaded onto factor 4 and is thus discarded. These items mainly measure trust in the boardroom. As for Item 8, this item was considered to be distinctively different from items 1, 2, and 3 and was dropped from the construct measuring board trust.

Factor 3 is made up of items measuring the perception of board members' competence (i.e. items 5, 13, 14, and 16). Item 5 was excluded from the construct measuring the perception of board members' competence. This is because in item 5 'Board members have complete trust in each other's level of competence' does not measure the awareness of board members' competence in a similar way to items 13, 14, and 16. Therefore, items 13, 14, and 16 are the items for the perception of board members' competence construct.

The fourth factor consists of items 19, 20, 21, and 22, which are items measuring board communication efficacy. Item 20 was dropped as it was found to cross-load on factor 8.

Factor 5 is largely made up of items measuring board affective conflict. These items are items 24, 25, 27, and 28.

As for factors 6, 7, and 8, only one item has loaded on each of these factors. Where item 15 is loaded on factor 6, items 17 and 12 are loaded on factors 7 and 8 respectively. These factors will be dropped from the further analysis because these items measured do not measure any of the variables included in the factor analysis.

Table 4.12: Factor Extraction for Familiarity

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.466	43.105	43.105	6.466	43.105	43.105	3.729	24.858	24.858
2	1.833	12.219	55.324	1.833	12.219	55.324	3.540	23.600	48.458
3	1.454	9.691	65.015	1.454	9.691	65.015	2.483	16.556	65.015
4	.909	6.057	71.071						
5	.783	5.220	76.292						
6	.660	4.403	80.695						
7	.634	4.228	84.922						
8	.463	3.090	88.012						
9	.416	2.775	90.787						
10	.357	2.383	93.170						
11	.346	2.308	95.479						
12	.238	1.586	97.065						
13	.190	1.264	98.329						
14	.139	.927	99.257						
15	.111	.743	100.000						

Extraction Method: Principal Component Analysis.

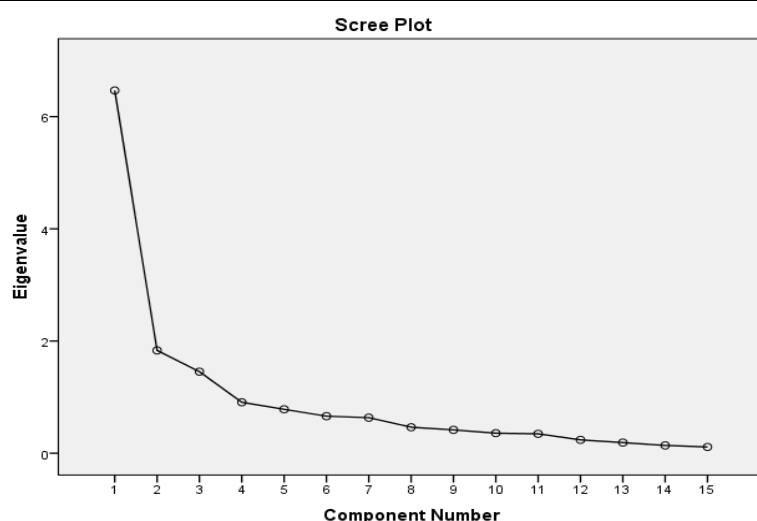


Figure 4.12: Scree Plot for Familiarity

Above is the factor extraction for the 15 items in Section 2 of the questionnaire measuring board members' familiarity. Table 4.12 and Figure 4.12 suggests a three-factor solution. Based on the dissertations of Hanft (2002) and Maynard (2007), board members' familiarity was proposed to be a multi-dimensional construct consisting of board members' knowledge of each other's personal life, professional life, and personality. Board members'

knowledge of each others' personal life include: (1) values, attitude and beliefs, (2) likes and dislikes, (3) background, (4) hobbies, professional life (1) strengths and weaknesses, (2) competences, (3) reputation, (4) work performance, (5) abilities and personality, (1) trustworthiness, (2) honesty, (3) conscientiousness, (4) dependability and (5) attention to detail. According to Maynard (2007), prior research that has commonly used 'experience' to proxy for team familiarity often ignored the fact that familiarity is a product of team members' interpersonal knowledge of others. Such interpersonal knowledge is obtainable during work interactions and social activities. The forms of familiarity that emerge during these activities are captured by these three constructs and were accounted for in the three-factor solution reported in Table 4.12. The three-factor solution is depicted by point 3 where the inflexion of the curve begins in the scree plot (Figure 4.12). All three factors have eigenvalues of 1.4 and above, accounting for 65% of the variance.

Table 4.13: Factor Rotation for Familiarity

Rotated Component Matrix ^a				
Items		Component		
		1	2	3
1	Familiarity1	.278	.731	.104
2	Familiarity2	.281	.797	.096
3	Familiarity3	.003	.851	.083
4	Familiarity4	.320	.758	.204
5	Familiarity5	.244	.672	.134
6	Familiarity6	.263	.357	.442
7	Familiarity7	.144	.374	.544
8	Familiarity8	.187	.225	.549
9	Familiarity9	.084	.006	.862
10	Familiarity10	.212	-.027	.783
11	Familiarity11	.776	.224	.341
12	Familiarity12	.786	.209	.220
13	Familiarity13	.866	.135	.240
14	Familiarity14	.840	.231	.149
15	Familiarity15	.748	.369	.050
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 6 iterations.				

Table 4.13 provides a clearer interpretation of the three-factor solution reported in the factor extraction in Table 4.12. Where items 11, 12, 13, 14, and 15 measuring board members' personality are loaded on factor 1, items 1, 2, 3, 4, and 5 measuring board members' professional life are loaded on factor 2. As for factor 3, 4 out of 5 items measuring board members' personal life are loaded (i.e. items 7, 8, 9, 10). Since Familiarity 6 is not loaded on any factor, this will be excluded from further analysis.

4.7.2 Summary of Factor Analysis

After examining the results of the factors' analysis (i.e. the rotated factor loadings), factors greater than 0.4 were considered as significant, and factors below this threshold were excluded from further analysis. Based on the outcome of the factor analysis, trust items are items 1, 2, and 3. Board members' cognitive conflict items are items 7, 10, and 18. As for the perception of board members' competence, the items measuring this construct include

items 13, 14, and 16. Board communication efficacy items are items 19, 21, and 22, while board affective conflict items are items 24, 25, 27, and 28. Although items 15, 17, and 12 are loaded on factors 6, 7, and 8 respectively, these items were dropped because they are not loaded on any of the factors measuring the constructs of any of the variables included in the factor analysis. Finally, board members' familiarity was divided into 3 separate constructs. Items 1, 2, 3, 4, and 5 measuring familiarity with professional life, 7, 8, 9, and 10 measuring familiarity with personal life, and items 11, 12, 13, 14, and 15 measuring familiarity with board members' personality.

4.7.3 Reliability and Validity of Measurement Scales

The Cronbach Alpha test was used to determine the reliability of the constructs. According to Cronbach (1951), the Cronbach Alpha provides a measure of the internal consistency of a test or scale. The internal consistency is the extent to which items in a test measure a concept or a construct. This is usually expressed as a number between 0 and 1 (Tavakol and Dennick, 2011). When the result of the reliability test shows a Cronbach Alpha value that is closer to 1, this implies that the items measure the concept or construct of the variable.

Trust

The items in the trust construct are 3 items from Simons and Peterson (2000), and these items are reported in Table 4.14.

Table 4.14: Trust Items

TRUST	
1	There is considerable trust amongst members of the board
2	I know I can strongly depend on other board members
3	Other members of the board know they can rely on my full support

Table 4.15 shows that the Cronbach Alpha for the 3-items was 0.901, indicating that trust construct is reliable.

Table 4.15: Reliability Analysis for Trust

Reliability Statistics Trust	
Cronbach's Alpha	N of Items
.901	3

Item-Total Statistics Trust				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
There is considerable trust amongst members of the board	12.59	2.495	.825	.853
I know I can strongly depend on other board members	12.62	2.759	.870	.800
Other members of the board know they can rely on my full support	12.48	3.502	.756	.908

Board Members Cognitive Conflict

The items used to measure cognitive conflict are 3-items reported in Table 4.16. These items are from Jehn (2005) and Wan and Ong (2005).

Table 4.16: Board Cognitive Conflict Items

BOARD COGNITIVE CONFLICT	
7	Board members consider the viewpoints of other members
10	The atmosphere on the board encourages critical thinking
18	Board members are well qualified for the task of the board

The Cronbach Alpha of these items was 0.783 as reported in Table 4.17. This implies that cognitive conflict construct was reliable.

Table 4.17: Reliability Analysis for Board Cognitive Conflict

Reliability Statistics Cognitive Conflict	
Cronbach's Alpha	N of Items
.783	3

Item-Total Statistics Cognitive Conflict				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Board members consider the viewpoints of other members	12.03	3.801	.589	.739
The atmosphere on the board encourages critical thinking	12.25	3.271	.662	.659
Board members are well qualified for the task of the board	11.93	3.568	.614	.713

Communication Efficacy

Communication efficacy is a 3-item construct from Hassall (2009). These items are reported in Table 4.18.

Table 4.18: Communication Efficacy Items

COMMUNICATION EFFICACY	
19	Board members frequently communicate about tasks
21	Board members are clear on how board tasks are to be accomplished
22	Board members are provided with a clear explanation of what each task involves

Table 4.19 shows the Cronbach Alpha for the items was 0.754. This implies that communication efficacy construct is reliable.

Table 4.19: Reliability Analysis for Communication Efficacy

Reliability Statistics Communication	
Cronbach's Alpha	N of Items
.754	3

Item-Total Statistics Communication				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Board members frequently communicate about tasks	10.93	4.818	.491	.814
Board members are clear on how board tasks are to be accomplished	10.76	5.099	.687	.559
Board members are provided with a clear explanation of what each task involves	10.78	5.734	.612	.652

Perception of Board Members' Competence

The perception of board members' competence is a 3-item construct from Mayer and Davis (1999). These items are reported in Table 4.20.

Table 4.20: The Perception of Board Members' Competence Items

PERCEPTION OF BOARD MEMBERS' COMPETENCE	
13	Board members are capable of performing their role
14	Board members are knowledgeable about the task that needs to be done
16	Board members are confident about the skills of other board members

The reliability test produced a Cronbach Alpha value of 0.861, indicating that the construct is reliable (see Table 4.21).

Table 4.21: Reliability Analysis for the Perception of Board Members' Competence

Reliability Statistics Competence	
Cronbach's Alpha	N of Items
.861	3

Item-Total Statistics Perception of Board Members' Competence				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Board members are capable of performing their role	12.36	3.400	.756	.788
Board members are knowledgeable about the task that needs to be done	12.48	2.982	.804	.740
Board members are confident about the skills of other board members	12.62	3.676	.659	.874

Board Members' Affective Conflict

Board members' affective conflict is a 4-item construct derived from Wang and Ong (2005). These items are reported in Table 4.22.

Table 4.22: Board Members' Affective Conflict Items

BOARD AFFECTIVE CONFLICT	
24	There are personality clashes during the process of decision-making in the boardroom
25	Board members do not get along very well
27	At least one director disagrees with a decision made in the boardroom
28	Emotional conflict is often evident on this board

The reliability test of these items produced a Cronbach Alpha of 0.839 as shown in Table 4.23.

Table 4.23: Reliability Analysis for Affective Conflict

Reliability Statistics Affective Conflict	
Cronbach's Alpha	N of Items
.839	4

Item-Total Statistics Affective Conflict				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
There are personality clashes during the process of decision-making in the boardroom	6.20	12.555	.700	.791
Board members do not get along very well	6.67	15.598	.728	.780
At least one director disagrees with a decision made in the boardroom	6.37	15.611	.575	.837
Emotional conflict is often evident on this board	6.68	14.678	.725	.774

Familiarity

The 14-item construct measuring board members' familiarity was derived from Hanft (2002) and Maynard (2007). These items were divided into 3 separate constructs measuring familiarity of members' professional life (a 5-item construct), personal life (a 4-item construct), and personality (a 5-item construct). These items are reported Table 4.24.

Table 4.24: Familiarity Items

FAMILIARITY		LEVELS OF FAMILIARITY
1	Strength and Weaknesses	Board Members' Professional Life
2	Competences	
3	Reputation	
4	Work Performance	
5	Abilities	
7	Likes and Dislikes	Board Members' Personal Life
8	Background (i.e. Education, employment history, etc)	
9	Hobbies	
10	Family Situation (i.e. married, divorced, kids, etc.)	
11	Trustworthiness	Board Members' Personality
12	Honesty	
13	Conscientiousness	
14	Dependability	
15	Attention to details	

The 3 sub-constructs of familiarity were subjected to a reliability test and the 3 sub-constructs were found to be reliable as reported in Table 4.25. The Cronbach Alpha for the familiarity of boards' professional life, personal life, and personality were 0.871, 0.712, and 0.913 respectively. This shows that the 3 sub-constructs of familiarity were all reliable.

Table 4.25: Reliability Analysis for Board Members' Familiarity Components

Reliability Statistics Professional Life		Reliability Statistics Personal Life	
Cronbach's Alpha	N of Items	Cronbach's Alpha	N of Items
.871	5	.712	4

Reliability Statistics Personality	
Cronbach's Alpha	N of Items
.913	5

As a single construct, the 14-item of familiarity construct was also subjected to a reliability test. The Cronbach Alpha for the 14-items was 0.888, implying that the construct was also reliable.

Table 4.26: Reliability Analysis for Board Members' Familiarity

Reliability Statistics for Familiarity	
Cronbach's Alpha	N of Items
.888	14

Item-Total Statistics				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Strength and Weaknesses	41.93	36.338	.594	.879
Competences	41.78	36.442	.620	.878
Reputation	41.73	37.323	.456	.885
Work Performance	41.88	35.089	.693	.874
Abilities	41.76	37.058	.546	.881
Likes and Dislikes	42.54	35.897	.492	.884
Background (i.e. Education, employment history, etc.)	42.19	36.153	.455	.886
Hobbies	42.90	35.698	.427	.889
Family Situation (i.e. married, divorced, kids, etc.)	42.51	35.482	.438	.889
Trustworthiness	41.75	35.001	.739	.873
Honesty	41.68	35.553	.664	.876
Conscientiousness	41.74	35.297	.679	.875
Dependability	41.68	35.407	.683	.875
Attention to details	41.75	35.313	.644	.876

4.8. Summary of Chapter 4

After reviewing the different types of research paradigms, this chapter identified the appropriate research design, method, and instrument suitable for this research. The research adopted a quantitative research method by using a survey questionnaire as the research instrument. The questionnaire design, how the questionnaire was administered, and the population of study with the sampling frame of the research were reported in this chapter. After the survey questionnaire had been administered, data collected was analysed using SPSS. The results of the factor analysis and the Cronbach Alpha's reliability test of the constructs measuring trust and its antecedents were also reported.

The factor analysis results reported an eight-factor solution for the items measuring trust, cognitive conflict, communication efficacy, the perception of board members' competence, and affective conflict. Further analysis was carried out on 5 out of the 8 factors as items were not satisfactorily loaded on the other 3 factors. Based on the outcome of the factor analysis, trust, board cognitive conflict, the perception of board members' competence, and communication efficacy were 3-item construct respectively. Affective conflict was a 4-item construct. The factor analysis on board familiarity items suggested that the variable is a 3-factor solution. Each of these factors measured board members' knowledge of other board members' professional life, personal life, and personality. The result of the factor analysis revealed board familiarity to be an aggregate of 14 items.

All the constructs were subjected to a reliability test and were reported to be reliable. The Cronbach's Alpha reliability test for trust was 0.901, cognitive conflict was 0.783, communication efficacy was 0.754, the perception of board members' competence was 0.861, and board affective conflict was 0.839. As for board familiarity, the result of its reliability test was 0.888.

The next chapter will report the results of the regression analysis so as to test the formulated hypotheses in Chapter 3: Research Model and Hypotheses.

CHAPTER 5

DATA ANALYSIS: RESULTS AND FINDINGS

5.1 Introduction

Chapter 4 Research Design and Methodology reported data analysis of the measurement model of determinants of trust in the boardroom. This included the results of the factor analysis and reliability analysis undertaken on the determinants of trust in the boardroom, cognitive conflict, the perception of board members' competences, communication efficacy, affective conflict and familiarity. This chapter reports the results of the regression analysis carried out to test the hypotheses developed in Chapter 3 Research Model and Hypotheses.

This chapter is structured as follows; Section 5.2 presents the measurements of the dependent (trust), independent (cognitive conflict, the perception of board members' competence, communication efficacy, affective conflict, and familiarity), control (board size, CEO duality, the ratio of insider-outside directors, gender diversity, the size of the firm and the company turnover), and moderating variables (board meeting frequency and board tenure). Section 5.3 presents the descriptive statistics that summarised data obtained on the variables considered in this research. Section 5.4 presents the correlation analysis showing the relationship between the dependent, independent, control, and moderating variables. Sections 5.5 and 5.6 presents and interprets the results of the regression analysis regarding the relationship between trust and its determinants, and the moderating effects of board meeting frequency and board tenure. 5.7 is the Summary Of The Hypotheses Testing section which shows the hypotheses that were accepted and rejected based on the result of the regression analysis. Section 5.8 summarises the finding presented in this chapter.

5.2 Measurements

Dependent Variable

The dependent variable is trust. This is measured using the mean of the three items developed in Table 4.14 in the previous chapter.

Independent Variables

The independent variables are the 5 determinants of trust in the boardroom. These determinants are board cognitive conflict, communication efficacy, the perception of board members' competence, board affective conflict, and board members' familiarity. These variables were developed to be a mean of items reported in Chapter 4, section 4.7 of this thesis. Cognitive conflict, the perception of board members' competence, and communication efficacy were a mean of 3 items. Affective conflict was a mean of 4 items. As for familiarity, the variable was considered as a single construct and a mean of 15 items. It was also treated as a variable divided into three constructs (i.e. professional life, personal life, and personality). The familiarity of board members' professional life and personality were both means of 5-item. As for the familiarity of board members' personal life, it was measured using mean of 4 items

Moderating Variables

Moderators are variables that alter the direction of the relationship between a predictor and an outcome variable in terms of weakening or strengthening effects (Baron and Kenny, 1986). Thus, the moderator effect in the relationship between a dependent and independent variable is referred to as an interaction effect whereby the impact of one variable depends on the level of another (Fazier, Tix, and Barron, 2004). In this research, the variables moderating the relationship between trust and its determinants are board tenure and board meeting frequency. Board tenure was measured by the number of months the current board of a company has been together, while board meeting frequency was

measured by the number of board meetings held in a year. A logarithmic transformation was used to control for heteroskedasticity in the measurement of these variables.

To test the moderator effects of board meeting frequency and board tenure, the procedures prescribed by Aiken and West (1991), Frazier et al., (2004), and Howells (2007; 2012) were adopted. The prescribed procedure involves three main steps. The first step is the mean centring of the predictors and moderating variables by subtracting the mean of each variable from its cases e.g. *Cognitive conflict minus Σ Cognitive conflict*. The second step is the creating of the interaction effect by calculating the product of the mean centred predictors, and the mean centred moderating variables e.g. *Centred cognitive conflict*Centred board meeting frequency*. The third step is to subject trust, the determinants of trust, and the interaction effects to a hierarchical multiple linear regression analysis.

Control Variables

The control variables included in the model are board level and firm level variables. The board level control variables are board size, CEO duality, the ratio of insider-outside directors, and gender diversity. Information about these variables was obtained by including questions about board characteristics in the questionnaires administered. The number of directors was used to measure for board size, the ratio of inside-outside directors was measured as the percentage of non-executive directors. Gender diversity was measured as the percentage of male directors. CEO Duality was measured as a dichotomous variable where 0 is the absence of duality and 1 is for the presence of duality. As for firm-level control variable, the size of the firm and company turnover is controlled for in the model of the relationship between trusts and its determinants. Firm size was measured as the total number of employees and company turnover (measured in million pounds) obtained was for the last financial year. A logarithmic transformation of firm size and company turnover was carried out to control for heteroskedasticity.

5.3 Descriptive Statistics

Table 5.1 shows the descriptive statistics for trust and its determinants. It reports the summary of the characteristics of the boards and firms included of the sample size. The size of the firm was determined by the number of employees and the company turnover. These measures are in harmony with the factors or features the Department of Business, Innovation and Skill in the United Kingdom uses to classify small, medium, and large scale businesses. In the UK, companies classified into the category of small and medium scale must earn less than £25 million pounds and have employees fewer than 250. The number of employees of the companies that have responded to the survey ranged from 0 to 135000 with a mean value of 6505, and their turnover ranged from 0 to £111695 million with an average of £1640.5746 million. Exceeding the benchmark of 250 employees and company turnover of £25 million, most of the companies are large-scale enterprises. As reported in Table 5.1, the values of firm size and the company turnover were not normally distributed which suggests the presence of heteroskedasticity. This is depicted in the descriptive statistics by the significant difference between the standard deviation, skewness, and kurtosis values for firm size and company turnover. Therefore, a logarithmic transformation of these variables was carried out, and the results were reported in Table 5.1 as 'Log of Firm Size' and 'Log of Company Turnover'.

The size of the board governing these firms ranged from 2 to 17 members while the appointments to the board ranged from 1 to 122 months. While the average tenure of board appointments is 17 months, the average size of the boards is 8 members which is consistent with Jensen's (1983) suggested upper limit which a board can grow to remain effective. Also, the majority of these corporate boards are dominated by outside directors at an average of 58.23% and male directors at an average of 85.41%. As for CEO duality in these firms, a low percentage (14%) of boards had an individual carrying out the roles of the chairperson and CEO.

An overview of the responses received shows that trust is present among board members. This is depicted by the mean average of 6.2818 on trust in the boardroom. Most of the boards engaged in cognitive or task related debates (mean of 6.0344) with a low level of emotional or affective conflict (mean of 2.1598) in the boardroom. At an average of 5.4124, most of these boards engaged in a frequent, and task-related communication by meeting at an average of 9 times a year. The perception of board members' competence is high at with a mean of 6.2440. Overall, board members familiarity is high to a reasonable extent as depicted by the mean of 3.2089. However, their familiarity with each other's personal life is to a limited extent as depicted by the mean average of 2.6856.

Table 5.1: Descriptive Statistics

Descriptive Statistics								
	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
					Statistic	Std. Error	Statistic	Std. Error
Trust	2.67	7.00	6.2818	.83381	-1.651	.245	3.548	.485
Cognitive Conflict	2.33	7.00	6.0344	.89428	-1.745	.245	4.309	.485
Perception of Board Members' Competence	2.67	7.00	6.2440	.88521	-1.711	.245	3.411	.485
Communication Efficacy	2.33	7.00	5.4124	1.07773	-.709	.245	.048	.485
Affective Conflict	1.00	5.75	2.1598	1.24121	1.256	.245	.864	.485
Familiarity: Personality	1.00	4.00	3.4948	.58101	-1.547	.245	3.128	.485
Familiarity: Professional Life	2.00	4.00	3.4000	.50827	-.665	.245	-.114	.485
Familiarity: Personal Life	1.00	4.00	2.6856	.63562	-.089	.245	-.285	.485
Familiarity	1.93	4.00	3.2089	.45802	-.778	.245	.663	.485
Percentage of Non-Executive Directors	0	100	58.23	25.528	-.323	.245	-.183	.485
Percentage of Male Directors	33	100	84.86	16.204	-.998	.245	.513	.485
Board Size	2	17	7.62	3.121	1.130	.245	1.119	.485
CEO Duality	0	1	.14	.353	2.056	.245	2.274	.485
Firm Size	0	135000	6502.56	20148.765	5.436	.245	31.034	.485
Company Turnover (£'000 000)	0	11695	1640.57	11405.03	9.572	.245	93.069	.485
Company Sector	1	4	2.97	1.045	-.440	.245	-1.178	.485
Board Meeting Frequency	2	34	9.24	4.195	3.061	.245	16.293	.485
Board Tenure	1	122	17.46	19.742	2.480	.245	8.508	.485
Log of Firm Size	.60	5.13	3.0250	.94369	-.271	.257	-.077	.508
Log of Company Turnover	5.40	11.05	7.9478	.99745	-.152	.249	.730	.493
Log of Board Meeting Frequency	.30	1.53	.9301	.17661	-.270	.245	2.354	.485
Log of Board Tenure	.00	2.09	1.0015	.48228	-.128	.245	-.581	.485
Valid N (listwise)								

5.4 Correlation Analysis

A correlation analysis was carried out to reveal the relationship between trust (the dependent variable), its determinants (Independent variables), control variables, and moderating variables. Table 5.2 shows that there is a significant relationship between trust, cognitive conflict, the perception of board members' competence, communication efficacy, affective conflict, and familiarity. A significant positive correlation was found between trust, cognitive conflict, the perception of board members competence, communication efficacy,

and familiarity (see Table 5.2). As for the correlation between trust and affective conflict, a significant negative relationship was reported. The results of the correlation analysis show that the perception of board members competence with the coefficient value of 0.660 and affective conflict with the coefficient value of -0.667 had the strongest relationship to trust. The relationship between familiarity and trust was tested in two ways. First, familiarity as a construct of 14 items shows a significant positive relationship to trust, and familiarity as a subset of 3 constructs (personal life, professional life, and personality familiarities). All three sub-construct of familiarity had a significant correlation to trust. The familiarity of board members' personality had a positive coefficient of 0.525. For familiarity of professional life and personal life, the correlation coefficients are 0.413 and 0.346 respectively. These values imply that familiarity sub-constructs have a positive correlation to trust. As for the relationship between trust and the control variables, there was no significant linear relationship reported between trust, firm and board control variables except for company sector that had a significant relationship to trust with the coefficient value of 0.225.

The result of the correlation analysis also showed multiple correlations between the independent variables which could potentially imply the issue of multicollinearity. In the regression analysis reported in the subsequent section, the variance inflation factors (VIF) measure was adopted to test the multicollinearity between the predictor variables. The VIF values reported in the regression analysis section ranged from 1.130 to 2.44. As the values are less than 5, this indicated a moderate correlation between the predictor variables. Therefore, the suggested multicollinearity between the independent or predictor variables reported in the correlation analysis in Table 5.2 was ignored.

Table 5.2: Correlation Analysis

CORRELATION ANALYSIS																							
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Trust	1	1																					
Cognitive Conflict	2	.536**	1																				
Perception of Board Members' Competence	3	.660**	.655**	1																			
Communication Efficacy	4	.400**	.437**	.435**	1																		
Affective Conflict	5	-.667**	-.586**	-.541**	-.406**	1																	
Familiarity: Personality	6	.525**	.453**	.403**	.245*	-.448**	1																
Familiarity: Professional Life	7	.413**	.324**	.446**	.128	-.381**	.547**	1															
Familiarity: Personal Life	8	.346**	.247*	.212*	.206*	-.234*	.468**	.377**	1														
Familiarity	9	.535**	.445**	.454**	.266**	-.444**	.848**	.787**	.758**	1													
Percentage of Non-Executive Directors	10	.006	.151	.088	.120	-.148	-.063	-.017	-.137	-.067	1												
Percentage of Male Directors	11	-.165	-.147	-.131	-.155	.150	-.194	-.124	-.021	-.143	-.167	1											
Board Size	12	.132	.004	.084	-.075	-.107	.111	.185	.016	.121	.068	-.290**	1										
CEO Duality	13	-.045	.006	-.103	.015	.030	.014	-.104	.077	.009	-.248*	.002	-.118	1									
Firm Size	14	.069	.069	.031	.117	-.078	-.028	.086	-.022	.015	.160	-.137	.187	-.088	1								
Company Turnover	15	.095	-.001	.014	.111	-.107	-.074	.106	-.088	-.038	.037	-.062	.063	-.049	.630**	1							
Company Sector	16	.225*	-.103	.053	-.022	-.123	-.012	.031	-.046	-.027	.030	-.276**	.223*	-.129	-.046	.102	1						
Log of Firm Size	17	.164	.067	.198	.123	-.057	.101	.194	-.086	.093	.226*	-.157	.419**	-.151	.545**	.276**	-.005	1					
Log of Company Turnover	18	.193	.024	.175	.131	-.111	.217*	.245*	.129	.240*	.078	-.110	.182	-.036	.338**	.384**	.060	.603**	1				
Board Meeting Frequency	19	.190	.205*	.173	.103	-.177	.261**	.201*	.214*	.264**	-.173	-.199	.002	.082	.070	.044	.044	-.015	.050	1			
Board Tenure	20	-.010	-.046	.006	-.030	.048	.068	.122	-.135	.028	-.180	.289**	-.315**	-.007	-.142	-.079	.071	-.223*	-.021	-.082	1		
Log of Board Meeting Frequency	21	.236*	.239*	.245*	.127	-.188	.296**	.224*	.224*	.288**	-.241*	-.150	.103	-.031	.117	.069	.002	.083	.038	.906**	-.079	1	
Log of Board Tenure	22	.006	-.039	-.038	.054	.005	.086	.066	-.041	.049	-.146	.321**	-.410**	.034	-.138	-.139	.028	-.254*	-.097	-.061	.833**	-.048	1

** . Correlation is significant at the 0.01 level (2-tailed); * . Correlation is significant at the 0.05 level (2-tailed).

5.5 The Regression Analysis

To test the relationship in the model and the hypotheses developed in Chapter 3: Research Model and Hypotheses, a multiple regression analysis was carried out. The regression analysis was carried out in two stages. The first stage tested the primary model of the relationship between trust and its determinants (cognitive conflict, the perception of board members' competence, communication efficacy, affective conflict, familiarity). In the second stage, familiarity as a subset of three constructs (personality, professional life, and personal life), alongside other determinants were regressed against trust. These stages were repeated when testing for the moderation effects of board meeting frequency and board tenure. The results of the regression analysis of cognitive conflict, perception of the board members' competence, communication efficacy, affective conflict, and familiarity against trust are presented in Tables 5.3 and 5.4. In Table 5.4, familiarity is treated as a subset of three constructs. The regression analysis showing the moderating effects of board meeting frequency and board tenure are reported in Tables 5.5 and 5.6, where Table 5.6 regression result depicts the treatment of familiarity as 3 sub-constructs.

From the regression analysis results, the value that are of interests are the R^2 and the adjusted R^2 values, F statistics, P-values, and the β values. The R^2 and the adjusted R^2 values range from 0 to 1 and are used to depict the amount variations in the dependent variable (trust) that is explained by the independent variables (the determinants of trust). The closer the R^2 and adjusted R^2 values are to 1 the higher the amount of variations explained by the independent variable, and the closer the values are to 0, the lesser the variations that are explained. The F-value is used to evaluate if the model of relationship is significant or if the independent variables included in the model significantly explain the outcome (i.e. the dependent variable). The level of significance is decided on using the P-values. A model of relationship is significant when the P-value is less than 0.05 or 0.01. After evaluating the values of the R^2 and F-statistics, the β values or the standardised coefficient are obtained after carrying out the regression analysis, and they are used to depict the strength of the

impact of the independent variables on the dependent variable. The values of the β coefficient could be positive or negative, and the significance of the measured impact of the independent variables are determined when the p-value is less than 0.05 or 0.01.

The following sections will report the findings of the regression analysis presented in the Tables 5.3, 5.4, 5.5, and 5.6.

Table 5.3: Multiple Regression Analysis for Trust, Control Variables, and Cognitive Conflict, Perception of Board Members' Competence, Communication Efficacy, Affective Conflict, and Familiarity

Variables	Trust		
	Model 1	Model 2	VIF
Percentage of Non-Executive Directors	-0.158	-.136	1.384
Percentage of Male Directors	-0.124	-.012	1.377
Board Size	0.076	.018	1.523
CEO Duality	-0.007	.010	1.130
Company Sector	0.187	.155	1.387
Log of Firm Size	0.030	.022	2.110
Log of Company Turnover	0.172	.049	1.823
H1: Cognitive Conflict		-0.028	1.130
H2: Perception of Board Members' Competence		0.401**	2.401
H3: Communication Efficacy		0.003	2.447
H4: Affective conflict		-0.383**	1.385
H5: Familiarity		0.132	1.942
R	0.132	0.652	
Adjusted R²	0.055	0.596	
Sig. F Change	1.718	11.557**	
Dependent Variable: Trust Model 1: Predictors: (Constant), Log of Company Turnover, CEO Duality, Percentage of Male Directors, Company Sector, Percentage of Non-Executive Directors, Board Size, Log of Firm Size Model 2: Predictors: (Constant), Log of Company Turnover, CEO Duality, Percentage of Male Directors, Company Sector, Percentage of Non-Executive Directors, Board Size, Log of Firm Size, Cognitive Conflict, Communication Efficacy, Familiarity, Affective Conflict, Perception of Board Members' Competence			

*Note: N=97, The table shows the standardised coefficients (β), the value of the adjusted R², and the value of the F change. The levels of significance are * <0.05 ; ** <0.01*

5.5.1 Regression Analysis; Trust, Cognitive Conflict, Perception of Board Members' Competence, Communication Efficacy, Affective Conflict, and Familiarity

The results presented in Tables 5.3, and 5.4 show the testing of Hypothesis 1: board cognitive conflict impacts positively on trust in the boardroom; Hypothesis 2: the perception of board members' competence positively impacts on trust in the boardroom; Hypothesis 3: communication efficacy impacts positively on trust in the boardroom; Hypothesis 4: board affective conflict impacts negatively on trust in the boardroom; and

Hypothesis 5: familiarity positively impacts on trust in the boardroom. When testing for these hypotheses, firm and board variables were controlled, and the results on these are reported in Model 1 of Tables 5.3. The results revealed that none of the board (board size, the proportion of male directors, CEO duality, and percentage of non-executive directors) and firm (firm size, company turnover, and company sector) control variables explained trust. The β values of the control variables were all insignificant as reported in Model 1 of Tables 5.3. Table 5.3 shows the value of the R^2 of Model 1 and Model 2 to be 0.055 and 0.596. This implies that the regression model explains 5.5% of the variance of the reading test scores in Model 1, while it explains 60% of the variance in Model 2. The result implies that Model 2 is the most reliable model. The F-test also showed that Model 2 was highly significant with the value of 11.557 ($p < 0.01$) while the F-value of Model 1 was insignificant at 1.718. Based on these values, it can be assumed that there is a significant and a reliable linear relationship between the variables regressed in Model 2.

The multiple linear regression coefficient estimates (i.e. the β values) with their significant level are also reported in Table 5.3. In Model 1 and 2, none of the board and firm control variables regressed against trust were significant. As for the determinants of trust depicted in Model 2, only the perception of board members' competence, and affective conflict had a higher significant impact on trust ($p < 0.01$). The β value for the perception of board members' competence is 0.401, and for affective conflict is -0.383. This implies that the perception of board members' competencies facilitates a higher significant impact on trust in the boardroom. The direction of the relationship between the perception of board members' competence and trust as shown by the positive β value of 0.401 and a p-value that is less than 0.01 implies that hypothesis 2 is supported. As for the direction of the relationship between affective conflict and trust, this was reported to be negative as depicted by the β value of -0.383 with a p-value that is less than 0.01. This result also allows us to accept hypothesis 4 regarding the negative relationship between affective conflict and trust.

Cognitive conflict, communication efficacy, and familiarity had β values of -0.028 , 0.003 , and 0.132 respectively. The relationship between trust and cognitive conflict was hypothesised to be positive. The β value for cognitive conflict suggested a negative relationship between the two variables. However, the p-value of the coefficient was greater than 0.01 , implying that cognitive conflict was an insignificant predictor of trust leading to the rejection of Hypothesis 1. As for communication efficacy and familiarity, the β values for these variables were positive which was consistent with the hypothesised relationship of these variables to trust. However, the β values of these variables were both insignificant as their p-values were greater than the benchmark of significance levels required i.e. <0.05 or <0.01 . Based on this results, these variables (i.e. communication efficacy and familiarity) are also insignificant predictors of trust. Therefore, Hypotheses 3, and 5 for communication efficacy, and familiarity respectively, were not supported.

Table 5.4: Multiple Regression Analysis for Trust, Control Variables, and Cognitive Conflict, Perception of Board Members' Competence, Communication Efficacy, Affective Conflict, and Familiarity: Personality, Professional Life, and Personal Life

Variables	Trust		
	Model 1	Model 2	VIF
Percentage of Non-Executive Directors	-0.158	-0.133	1.406
Percentage of Male Directors	-0.124	-0.012	1.453
Board Size	0.076	0.017	1.527
CEO Duality	-0.007	0.005	1.138
Company Sector	0.187	0.159	1.389
Log of Firm Size	0.030	0.051	2.269
Log of Company Turnover	0.172	0.034	1.860
H1: Cognitive Conflict		-0.045	2.450
H2: Perception of Board Members' Competence		0.428**	2.527
H3: Communication Efficacy		-0.014	1.466
H4: Affective conflict		-0.387**	2.022
H5: Familiarity: Personality		0.122	2.031
H5: Familiarity: Professional Life		-0.063	1.918
H5: Familiarity: Personal Life		0.107	1.672
R	0.132	0.662	
Adjusted R ²	0.055	0.597	
Sig. F Change	1.718	10.093**	
Dependent Variable: Trust Model 1: Predictors: (Constant), Log of Company Turnover, CEO Duality, Percentage of Male Directors, Company Sector, Percentage of Non-Executive Directors, Board Size, Log of Firm Size Model 2: Predictors: (Constant), Log of Company Turnover, CEO Duality, Percentage of Male Directors, Company Sector, Percentage of Non-Executive Directors, Board Size, Log of Firm Size, Cognitive Conflict, Communication Efficacy, Familiarity, Affective Conflict, Perception of Board Members' Competence			

*Note: N=97, The table shows the standardised coefficients (β), the value of the adjusted R², and the value of the F change. The levels of significance are * <0.05 ;*

*** <0.01*

5.5.2 Regression Analysis; Trust, Cognitive Conflict, Perception of Board Members' Competence, Communication Efficacy, Affective Conflict, and Familiarity: Personality, Professional Life, and Personal Life

In Table 5.3 treated familiarity as a single construct, whereas, in Table 5.4 familiarity is a sub-set of three constructs (personality, professional life, and personal life).

Table 5.4, presents the results of the regression analysis. In Model 1 of Table 5.4 shows the results of the control variables regressed against trust. The result of the analysis of variance shows an insignificant F-value of 1.718. According to the values of the R^2 and adjusted R^2 , shows that these control variables explain 5% of the variance in trust. Model 2 of Table 5.4 was found to be significant with the F-change value of 10.093. The predictors included in the model explained 60% of the model as depicted by the adjusted R^2 value of 0.597. Despite the treatment of familiarity in this model of relationship, the result was not far from that which is reported in Table 5.3. None of the sub-levels of familiarity was found to significantly explain trust in the boardroom as their significance levels were higher than 0.05. Also, neither cognitive conflict nor communication efficacy had a significant impact on trust.

As it was reported in Table 5.3, Table 5.4 shows that the perception of board members' competence and affective conflict to be the only variables that had a significant impact on trust. Both variables had β values that were consistent with the hypothesised direction of relationship to trust (i.e. 0.428 and -0.387 respectively). The coefficient values of the perception of board members' competence and affective conflict had significance levels were less than 0.01. Based on the results in Table 5.4, the outcome is similar to that of Table 5.3 which is to accept hypothesis 2 that the perception of board members' competence positively impacts on trust in the boardroom and hypothesis 4 that affective conflict negatively impacts on trust in the boardroom. As for hypothesis 1 that board cognitive conflict negatively impacts on trust in the boardroom; hypothesis 3 that communication efficacy impacts positively on trust in the boardroom; and hypothesis 5 that familiarity positively impacts on trust in the boardroom were all rejected.

5.6 Moderation Analysis

Tables 5.5 and 5.6 presents the results of the regression analysis of the moderator effects of board tenure and board meeting frequency in hypothesis 6-15. The moderating effect of board tenure are hypotheses 6-10, and the results of the regression analysis are reported in Model 3 of Tables 5.5 and 5.6. Hypothesis 6: board tenure negatively moderates

the relationship between board members' cognitive conflict and trust in the boardroom; hypothesis 7: board tenure positively moderates the relationship between the perception of board members' competence and trust in the boardroom; hypothesis 8: board tenure negatively moderates the relationship between communication efficacy and trust in the boardroom; hypothesis 9: board tenure positively moderates the relationship between board members' affective conflict and trust in the boardroom; hypothesis 10: board tenure positively moderates the relationship between board members' familiarity and trust in the boardroom.

The moderator effect of board meeting frequency are hypotheses 11-15, and the result of the regression analysis are reported in Model 4 of Tables 5.5 and 5.6. Hypothesis 11: board meeting frequency negatively moderates the relationship between board members' cognitive conflict and trust in the boardroom; hypothesis 12: board meeting frequency positively moderates the relationship between the perception of board members' competence and trust in the boardroom; hypothesis 13: board meeting frequency negatively moderates the relationship between communication efficacy and trust in the boardroom; hypothesis 14: board meeting frequency positively moderates the relationship between board members' affective conflict and trust in the boardroom; hypothesis 15: board meeting frequency positively moderates the relationship between board members' familiarity and trust in the boardroom

In Table 5.5, familiarity was a single construct, while in Table 5.6 the variables were treated familiarity as a subset of three constructs.

Table 5.5: Moderating Analysis: Impact of Board Meeting Frequency (Trust, and Cognitive Conflict, Perception of Board Members' Competence, Communication Efficacy, Affective Conflict, and Familiarity)

Variables	Trust				VIF
	Model 1	Model 2	Model 3	Model 4	
Percentage of Non-Executive Directors	-0.158	-.136	-0.138	-0.132	1.462
Percentage of Male Directors	-0.124	-.012	-0.012	-0.008	1.563
Board Size	0.076	.018	0.032	0.006	1.590
CEO Duality	-0.007	.010	0.007	-0.011	1.354
Company Sector	0.187	.155	0.129	0.120	1.542
Log of Firm Size	0.030	.022	0.005	0.041	2.792
Log of Company Turnover	0.172	.049	0.061	0.050	2.042
H1: Cognitive Conflict		-0.028	-0.037	-0.042	2.547
H2: Perception of Board Members' Competence		0.401**	0.401**	0.377**	3.022
H3: Communication Efficacy		0.003	0.016	0.038	1.551
H4: Affective conflict		-0.383**	-0.379**	-0.385**	2.248
H5: Familiarity		0.132	0.120	0.108	1.974
H6: Cognitive Conflict *Board Meeting Frequency			0.113	0.089	2.736
H7: Perception of Board Members' Competence*Board Meeting Frequency			-0.044	0.012	2.562
H8: Communication Efficacy*Board Meeting Frequency			-0.025	0.004	3.087
H9: Affective Conflict*Board Meeting Frequency			-0.042	-0.035	3.305
H10: Familiarity*Board Meeting Frequency			-0.065	-0.023	2.308
H11: Cognitive Conflict*Board Tenure				0.025	1.963
H12: Perception of Board Members' Competence*Board Tenure				-0.164	3.245
H13: Communication Efficacy*Board Tenure				0.036	1.727
H14: Affective Conflict*Board Tenure				-0.172	2.500
H15: Familiarity*Board Tenure				-0.059	1.697
R	0.132	0.652	0.658	0.677	
Adjusted R²	0.055	0.596	0.574	0.566	
Sig. F Change	1.718	11.557**	7.815**	6.088**	

Dependent Variable: Trust

Model 1: Predictors: (Constant), Log of Company Turnover, CEO Duality, Percentage of Male Directors, Company Sector, Percentage of Non-Executive Directors, Board Size, Log of Firm Size

Model 2: Predictors: (Constant), Log of Company Turnover, CEO Duality, Percentage of Male Directors, Company Sector, Percentage of Non-Executive Directors, Board Size, Log of Firm Size, **Cognitive Conflict, Communication Efficacy, Familiarity, Affective Conflict, Perception of Board Members' Competence**

Model 3: Predictors: (Constant), Log of Company Turnover, CEO Duality, Percentage of Male Directors, Company Sector, Percentage of Non-Executive Directors, Board Size, Log of Firm Size, Cognitive Conflict, Communication Efficacy, Familiarity, Affective Conflict, Perception of Board Members' Competence, **Cognitive Conflict interaction board meeting frequency, Communication Efficacy interaction board meeting frequency, Familiarity interaction board meeting frequency, Affective Conflict interaction board meeting frequency, Perception of Board Members' Competence interaction board meeting frequency**

Model 4: Predictors: (Constant), Log of Company Turnover, CEO Duality, Percentage of Male Directors, Company Sector, Percentage of Non-Executive Directors, Board Size, Log of Firm Size, Cognitive Conflict, Communication Efficacy, Familiarity, Affective Conflict, Perception of Board Members' Competence, Cognitive Conflict interaction board meeting frequency, Communication Efficacy interaction board meeting frequency, Familiarity interaction board meeting frequency, Affective Conflict interaction board meeting frequency, Perception of Board Members' Competence interaction board meeting frequency, **Cognitive Conflict interaction board tenure, Communication Efficacy interaction board tenure, Familiarity interaction board tenure, Affective Conflict interaction board tenure, Perception of Board Members' Competence interaction board tenure**

Note: N=97, The table shows the standardised coefficients (β), the value of the adjusted R^2 , and the value of the F change.

The levels of significance are * <0.05 ; ** <0.01

Table 5.6: Moderating Analysis: Impact of Board Meeting Frequency (Trust and Cognitive Conflict, Perception of Board Members' Competence, Communication Efficacy, Affective Conflict, and Familiarity: Personality, Professional Life, and Personal Life)

Variables	Trust				VIF
	Model 1	Model 2	Model 3	Model 4	
Percentage of Non-Executive Directors	-0.158	-0.133	-0.139	-0.133	1.519
Percentage of Male Directors	-0.124	-0.012	-0.035	-0.027	1.727
Board Size	0.076	0.017	0.031	-0.009	1.750
CEO Duality	-0.007	0.005	-0.011	-0.025	1.508
Company Sector	0.187	0.159	0.123	0.129	1.664
Log of Firm Size	0.030	0.051	0.034	0.081	2.956
Log of Company Turnover	0.172	0.034	0.044	0.043	2.166
H1: Cognitive Conflict		-0.045	-0.063	-0.045	2.875
H2: Perception of Board Members' Competence		0.428**	.465**	0.393**	4.025
H3: Communication Efficacy		-0.014	-0.011	0.017	1.821
H4: Affective conflict		-0.387**	-0.367**	-0.379**	2.475
H5: Familiarity: Personality		0.122	0.115	0.127	2.287
H5: Familiarity: Professional Life		-0.063	-0.084	-0.111	2.333
H5: Familiarity: Personal Life		0.107	0.110	0.106	1.880
H6: Cognitive Conflict *Board Meeting Frequency			0.037	0.042	3.637
H7: Perception of Board Members' Competence*Board Meeting Frequency			-0.028	0.029	2.875
H8: Communication Efficacy*Board Meeting Frequency			-0.017	-0.003	3.289
H9: Affective Conflict*Board Meeting Frequency			-0.088	-0.073	3.623
H10: Familiarity: Personality*Board Meeting Frequency			0.059	0.017	4.210
H10: Familiarity: Professional Life*Board Meeting Frequency			-0.117	-0.060	2.907
H10: Familiarity: Personal Life*Board Meeting Frequency			-0.039	0.015	1.748
H11: Cognitive Conflict*Board Tenure				0.008	2.265
H12: Perception of Board Members' Competence*Board Tenure				-0.178	3.438
H13: Communication Efficacy*Board Tenure				0.042	2.136
H14: Affective Conflict*Board Tenure				-0.183	2.641
H15: Familiarity: Personality*Board Tenure				-0.054	2.771
H15: Familiarity: Professional Life*Board Tenure				-0.061	2.978
H15: Familiarity: Personal Life*Board Tenure				0.013	2.167
R	0.132	0.662	0.673	0.694	
Adjusted R ²	0.055	0.597	0.568	0.546	
Sig. F Change	1.718	10.093**	6.376**	4.688**	

Dependent Variable: Trust
Model 1: Predictors: (Constant), Log of Company Turnover, CEO Duality, Percentage of Male Directors, Company Sector, Percentage of Non-Executive Directors, Board Size, Log of Firm Size
Model 2: Predictors: (Constant), Log of Company Turnover, CEO Duality, Percentage of Male Directors, Company Sector, Percentage of Non-Executive Directors, Board Size, Log of Firm Size, Cognitive Conflict, Communication Efficacy, Familiarity, Affective Conflict, Perception of Board Members' Competence
Model 3: Predictors: (Constant), Log of Company Turnover, CEO Duality, Percentage of Male Directors, Company Sector, Percentage of Non-Executive Directors, Board Size, Log of Firm Size, Cognitive Conflict, Communication Efficacy, Familiarity, Affective Conflict, Perception of Board Members' Competence, Cognitive Conflict interaction board meeting frequency, Communication Efficacy interaction board meeting frequency, Familiarity interaction board meeting frequency, Affective Conflict interaction board meeting frequency, Perception of Board Members' Competence interaction board meeting frequency
Model 4: Predictors: (Constant), Log of Company Turnover, CEO Duality, Percentage of Male Directors, Company Sector, Percentage of Non-Executive Directors, Board Size, Log of Firm Size, Cognitive Conflict, Communication Efficacy, Familiarity, Affective Conflict, Perception of Board Members' Competence, Cognitive Conflict interaction board meeting frequency, Communication Efficacy interaction board meeting frequency, Familiarity interaction board meeting frequency, Affective Conflict interaction board meeting frequency, Perception of Board Members' Competence interaction board meeting frequency, Cognitive Conflict interaction board tenure, Communication Efficacy interaction board tenure, Familiarity interaction board tenure, Affective Conflict interaction board tenure, Perception of Board Members' Competence interaction board tenure

Note: N=97, The table shows the standardised coefficients (β), the value of the adjusted R², and the value of the F change.
The levels of significance are * <0.05 ; ** <0.01

5.6.1 Regression Analysis: Moderating Impact of Board Meeting Frequency

The results of the moderating effects of board meeting frequency are reported in Model 3 in Tables 5.5 and 5.6, where in Table 5.6 familiarity is made up of personality, professional life, and personal life constructs. The Models in both tables were significant with the F value of 7.815 and 6.376 (p-value <0.01) in Table 5.5 and 5.6 respectively. In Table 5.5, the adjusted R^2 value was 0.574, while in Table 5.6, the Adjusted R^2 was 0.568. The Adjusted R^2 values show that the predictors, including the board meeting frequency as a moderator, explained 57% of variations in trust in both Tables. Contrary to the model and formulated hypotheses that board meeting frequency moderates the relationship between trust and its determinants, board meeting frequency was found not to significantly contribute to the model of the relationship. As shown in both tables, the β values of the moderation variables were insignificant with p-values that are > 0.05. Based on the outcome of the regression analysis of the moderating impact of board meeting frequency, hypotheses 6-10 regarding the moderator effect in the relationship between trust and cognitive conflict, the perception of board members' competence, communication efficacy, affective conflict, and familiarity would be rejected. Therefore, it is concluded that board meeting frequency neither strengthens nor weakens the relationship between trust and its determinants.

The perception of board members' competence and affective conflict were the only determinants that significantly explained trust in the boardroom in Model 3 of Tables 5.5 and 5.6. This is shown by the significance of the β values of these determinants. In Table 5.5, the β value of the perception of board members' competence and affective conflict were highly significant with P-values less than 0.01 at 0.401 and -0.379 respectively. In Table 5.6, the β values for the perception of board members' competence were 0.465 and for affective conflict was -0.367 with a P-values less than 0.01. These findings imply that hypothesis 2 regarding the positive impact of the perception of board members' competence on trust, and hypothesis 4 regarding affective conflicts' negative on trust remain the only hypotheses that were accepted.

5.6.2 Regression Analysis: Moderating Impact of Board Tenure

Model 4 in Tables 5.5 and 5.6 tested hypotheses 11-15 regarding the moderator effects of board tenure in the relationship between trust and its determinants (cognitive conflict, the perception of board members' competence, communication efficacy, affective conflict, and familiarity). The Models of the moderating effect of board tenure in both Tables were found to be significant with F-values of 4.688 and 6.088 (p-value <0.01). The Adjusted R^2 were 0.546 and 0.566. The values of the Adjusted R^2 in Table 5.5 show that the predictors and the moderating effect of board tenure explain 55% of the variance in trust while it explains 57% of the variance in Table 5.6. As it was for board meeting frequency, board tenure did not contribute significantly to the model as depicted by the insignificant β values with p-values greater than 0.05. Based on these results, hypotheses 11-15 regarding the moderating effect of board tenure on the relationship between trust and its determinants were not supported. Therefore, board tenure neither strengthens nor weakens the relationship between trust and cognitive conflict, the perception of board members' competence, communication efficacy, affective conflict, and familiarity.

Similar to the findings of previous models, Model 4 of Table 5.5 depicted the perception of board members' competence and affective conflict to be the only significant determinants of trust. The perception of board members' competence and affective conflict had β values of 0.377 and -0.385 respectively. The β values of both variables had P-values lesser than 0.01, suggesting their significant impact on trust. Just as it was in previous findings, hypotheses 2 and 4 regarding the positive impact of the perception of board members' competence on trust, and the negative impact of affective conflict on trust were accepted. Similarly, in Table 5.6 where familiarity was a sub-set of three variables, the perception of board members' competence and affective conflict was the only variable that had a significant impact on trust. The β value for the perception of board members' competence was 0.393 and for affective conflict was -0.379 and the significant level for both variables

were less than 0.01. Therefore in Model 4 of Tables 5.6, hypothesis 2 and hypothesis 4 were also accepted.

5.7 The Summary of Hypotheses Testing

HYPOTHESES		Accept/ Reject
H1	Board members' cognitive conflict impacts positively on trust in the boardroom	Rejected
H2	Perception of board members' competence positively impacts on trust in the boardroom	Accepted
H3	Communication Efficacy impacts positively on trust in the boardroom	Rejected
H4	Board members' affective conflict impacts negatively on trust in the boardroom	Accepted
H5	Familiarity between board members positively impacts on trust in the boardroom	Rejected
H6	Board tenure negatively moderates the relationship between board members' cognitive conflict and trust in the boardroom	Rejected
H7	Board Tenure positively moderates the relationship between the perception of board members' competence and trust in the boardroom	Rejected
H8	Board tenure negatively moderates the relationship between communication efficacy and trust in the boardroom	Rejected
H9	Board Tenure positively moderates the relationship between board members' affective conflict and trust in the boardroom	Rejected
H10	Board Tenure positively moderates the relationship between board members' familiarity and trust in the boardroom	Rejected
H11	Board meeting frequency negatively moderates the relationship between board members' cognitive conflict and trust in the boardroom	Rejected
H12	Board meeting frequency positively moderates the relationship between the perception of board members' competence and trust in the boardroom	Rejected
H13	Board meeting frequency negatively moderates the relationship between communication efficacy and trust in the boardroom	Rejected
H14	Board meeting frequency positively moderates the relationship between board members' affective conflict and trust in the boardroom	Rejected
H15	Board meeting frequency positively moderates the relationship between board members' familiarity and trust in the boardroom	Rejected

5.8 Summary of Chapter 5

This chapter has presented the results of the hypotheses testing conducted to investigate the determinants of trust in the boardroom. The findings suggest that two hypotheses are supported, H2: Perception of board members' competence positively

impacts on trust in the boardroom and H4: Board members' affective conflict impacts negatively on trust in the boardroom. The results show that other hypotheses could not be accepted. The following chapter will provide a discussion relating these findings to existing knowledge of board processes.

CHAPTER 6

DISCUSSION

6.1 Introduction

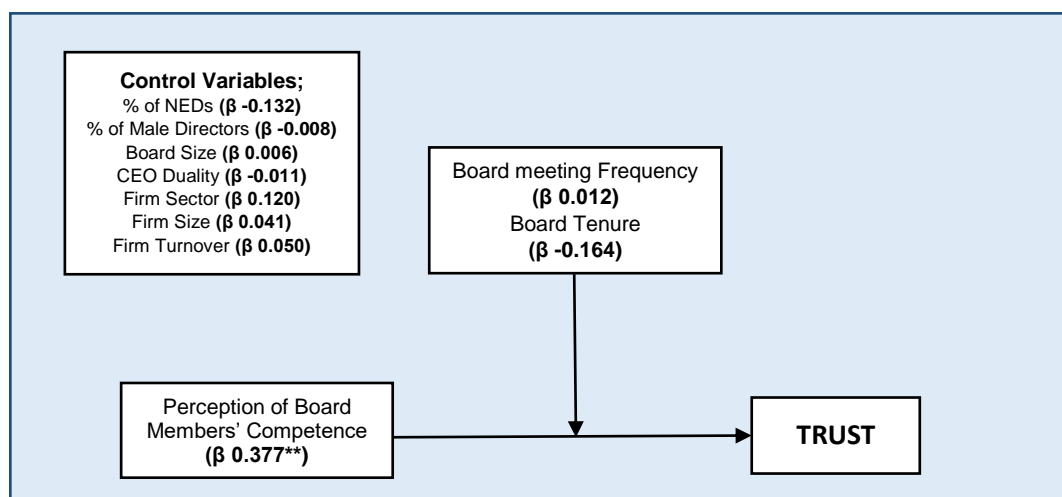
Chapter 5 reported the results of the testing of the research model and hypotheses presented in Chapter 3. In Chapter 6, the findings will be discussed, identifying contributions to knowledge and outlining implications for board theory and practice. This research contributes to enhancing the knowledge of board processes in several ways, and these will be outlined in this chapter. There are 2 main implications for theory resulting from the findings. First, the study shows that there are 2 principal determinants of trust in the boardroom, an important board process that exhibits both affective and cognitive features. These determinants are the perception of board members' competences, a cognitive dimension, and board affective conflict, an affective dimension. Second, this study has also introduced new or refined existing behavioural concepts in boards such as board communication (Farquhar, 2011), board members' familiarity and perception of board members' competences. These concepts have been under-researched in the context of boards. Although this research has not carried out an in-depth investigation of these variables, it has provided partial knowledge regarding the impact it has on a board process such as trust. This research also adds to board literature regarding these variables. Further, the findings have implications for board policy and practice. This chapter will discuss these findings and will be structured as follows. In Section 6.2., the implications for theory outlined above will be discussed in detail. In Section 6.3., the implications for board policy and practice will be outlined. In Section 6.4., a summary of the findings will be provided.

6.2. Implications for Board Theory

The research findings have 2 principal implications for theories of the board directors and our understanding of the determinants of board processes. First, the study

shows that one cognitive dimension, the perception of board members' competences and one affective dimension, affective conflict are significant determinants of trust in the boardroom, a hitherto under-researched board process. The former is positively related to trust in the boardroom whilst the latter is negatively related to trust in the boardroom. Second, this study has also introduced new or refined existing behavioural concepts in boards such as board communication (Farquhar, 2011), board members' familiarity and perception of board members' competences. These concepts have been under-researched in the context of boards. Although this research has not carried out an in-depth investigation of these variables, it has provided partial knowledge regarding the impact it has on a board process such as trust. This research also adds to board literature regarding these variables. The implications of these findings will be further detailed in this section. In addition, this section will explore reasons for those hypotheses that were rejected.

6.3 Determinants of Trust: The Perception of Board Members' Competence



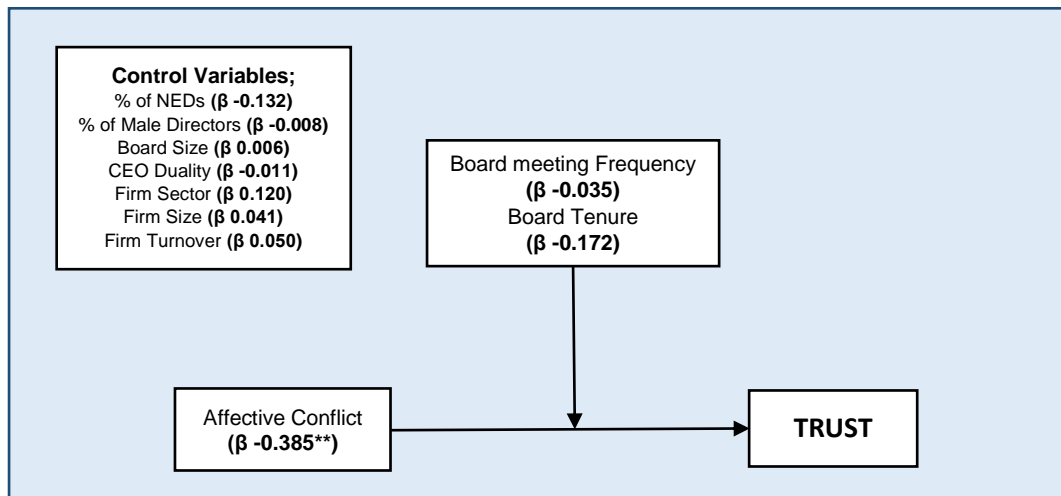
Note: ** and * indicate significant levels of 0.01 and 0.05 respectively

Figure 6.1: Model of the Relationship between Board Members' Competence and Trust

Figure 6.1 shows that the perception of board members' competence has a highly significant impact on trust as depicted by the β value of 0.377. This result is consistent with the hypothesis that as board members perceive each others' competences, the trust amongst board members increases. When the relationship was moderated by board meeting frequency and board tenure, the result showed insignificant β values of 0.012 and -0.164 for the moderating variables respectively. This result implies that board meeting frequency and board tenure does not strengthen or weaken the relationship between the perception of board members' competence and trust. The treatment of the perception of board members' competence in this study departs from how previous studies have treated this variable. The perception of competence was treated as a separable determinant of intra-group trust in terms of being a cognitive calculation of the skills and capabilities of board members and was found to be significant. Previous studies have treated the perception of competence as an antecedent of trust alongside other variables such as integrity and benevolence when investigating interpersonal trust (Colquitt et al., 2007; Mayer et al., 1995). However, some studies have described integrity and benevolence as redundant variables when determining trust (Jarvenpaa, Knoll, and Leidner, 1998; Mayer and Gavin, 2005). Also, Colquitt et al.

(2007) found in their research that ability or competence is a more significant predictor of trust. This research has further supported this claim as the research findings show that competence is a significant determinant of trust in the boardroom. This conclusion is consistent with studies conducted by Mayer et al. (1995) and Mayer and Davis (1999). Also, the positive impact of competence on trust is similar to what is reported in previous research which has found competence to be a significant predictor of trust (Ayios, 2003; Butler, 1999; Colquitt et al., 2007; Connelly, Crook, Combs, Ketchen, and Auginis, 2015; McAllister, 1995; Sitkin and Roth, 1993; Simon and Peterson, 2000). Researchers such as McAllister (1999) and Parayitam and Dooley (2009) described the form of trust that competence facilitates to be cognitive. The findings of these researchers regarding the impact of competence on trust are also in congruence with the results reported in this study. According to Parayitam and Dooley (2009), trust is a reflection of the perceived competence of team members. The explanation for the positive relationship found between the perception of board members' competence and trust. When board members are aware of each other's competencies, they are assured that members will use their diverse skills and become more creative in carrying out their tasks which increase the level of trust. This makes the perception of board members' competencies a cogent determinant of trust. The more board members are aware of other directors' abilities or competencies, the more likely members will trust each other.

6.4 Determinants of Trust: Affective Conflict



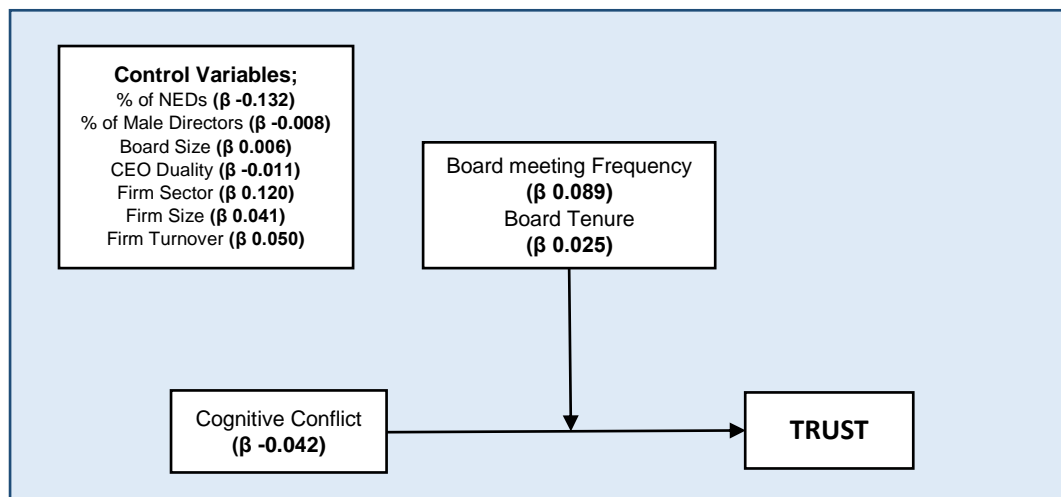
Note: ** and * indicate significant levels of 0.01 and 0.05 respectively

Figure 6.2: Model of the Relationship between Trust and Affective conflict

As reported in Figure 6.2, the empirical tests show an inverse relationship between trust and affective conflict. Affective conflict was found to impact trust with the β value of -0.385 negatively which means that the presence of affective conflict in the boardroom leads to lower levels of trust. When the effects of the moderating variables were examined, the β values of board meeting frequency and board tenure were found to be insignificant at -0.035 and -0.172 respectively (see Figure 6.2). This implies that board meeting frequency and board tenure neither strengthens nor weakens the relationship between affective conflict and trust. The outcome of this study is consistent with the concept of affective conflict, and its proposed negative consequences found in prior literature. Affective conflict is described as a form of conflict instigated by interpersonal animosity and other homophilic reasons, hence its negative impacts (Amason, 1996; De Dreu and Weingart, 2003; Jehn, 1995; Langfred, 2007; Li and Hambrick, 2005). Similar to the findings of this study, most studies that have investigated the impact of affective conflict have found it to negatively impact on board and team effectiveness (Brief and Weiss, 2002; Carnevale and Probst, 1998; De Dreu and Weingart, 2003; Jehn, 1997; Staw, Sandelands, and Dutton, 1981), decisions (Amason, Hochwarter, Thompson, and Harrison, 1995; Parayitam and Dooley, 2008; Simons and

Peterson, 2000), and firm performance (Amason, 1996; Elbana, 2009). Based on the trend of empirical findings regarding the impact of affective conflict, it is without surprise that its impact was adverse on trust. The results of this study is consistent with the growing body of literature that suggests affective conflict to be dysfunctional. The reason for this impact is that affective conflict or emotional disagreements increases board members' anxiety and could potentially lead to ego threats (Baumeister, 1998; Dijkstra et al., 2005). This often leads to escalated hostility among members and is more likely to negatively impact on board outcomes, in this case trust in the boardroom (De Dreu and Van Knippenberg, 2005; Jehn, Greer, Levine, and Szulanski, 2008; Polzer, Milton, and Swann, 2002; Rispens, Greer, and Jehn, 2007). Due to the negative impact, scholars who have examined trust have recommended that affective conflicts or predictors of trust should be properly managed in a way that it supplements cognitive determinants, such as competence or ability, that enhance trust (Flores and Solomon, 1998; Lewicki and Bunker, 1996; Lewis and Weigert, 1985; McAllister, 1995; Rousseau et al., 1998; Shapiro, Sheppard, and Cheraskin, 1992; Williams, 2001). In sum, affective conflict was found to be a significant determinant that has a dysfunctional effect on trust in the boardroom and, when managed, it leads to enhanced trust in the boardroom.

6.5 Determinants of Trust: Cognitive Conflict



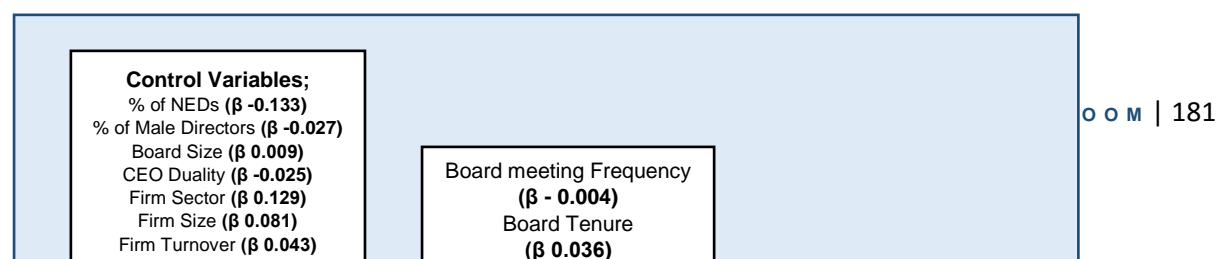
Note: ** and * indicate significant levels of 0.01 and 0.05 respectively

Figure 6.3: Model of the Relationship between Trust and Cognitive Conflict

Figure 6.3 shows a contrary result to the proposed positive relationship between cognitive conflict and trust. The findings of this study show an insignificant negative impact on trust as depicted by the β value of -0.042. When the interaction effects of board meeting frequency and board tenure were included in the model of relationship, neither of these moderating variables strengthened, weakened nor made the impact cognitive conflict on trust significant. This implies that the impact of cognitive conflict on trust is negligible. The findings of this research is also divergent from how cognitive conflict is commonly described in the literature. Researchers have found cognitive conflict to facilitate positive outcomes in teams and boards. For example, cognitive conflict is found to enable higher board and team effectiveness (e.g. Baron, 1990; Eisenhardt et al., 1997; Minichilli et al., 2012; Zona, 2016; Zona and Zattoni, 2007; Zattoni, 2015) and decision outcomes (Amason, 1996; Dooley and Fryxell, 1999; Parayitam and Dooley, 2009). Inconsistent with what is reported in the literature, this study has found cognitive conflict to be dysfunctional to trust. Although insignificant, the explanation for the negative impact cognitive conflict has on trust could be explained using De Dreu and Weingart's (2003) study. In their study, they found that higher

levels of cognitive conflict can lead to higher affective conflict. This explains why cognitive conflict can have a negative impact on specific team or board outcomes (see Jehn, Northcraft and Neale, 1999; Mooney et al., 2007; Simons and Peterson, 2000). Studies report that when cognitive conflict leads to affective conflict, it inhibits the positive impacts of cognitive conflict from materializing (Amason and Sapienza, 1997; Jehn, 1995; Jehn and Bendersky, 2003; Mooney et al., 2007; Pelled, 1996; Simons and Peterson, 2000; Yang and Mossholder, 2004). Consistent with these findings, Eisenhardt et al. (1997) in their research found that top management teams that engaged in cognitive conflict without interpersonal hostilities outperformed firms who do not engage in any form of conflict or are characterised by higher levels of relationship conflict. Furthermore, in Minichilli et al. (2009) and Zona and Zattoni (2007), the impact of cognitive conflict and board performance was tested but found to be inconclusive. Based on the studies of these researchers, the reason given for the insignificant and negative impact of cognitive conflict on trust in the boardroom could be the mitigating impact of board affective conflict. This may imply that there is a relationship between cognitive conflict and affective conflict, or that the relationship between cognitive conflict and trust is curvilinear. Although, it is beyond the scope of this research to test the relationship between cognitive and affective conflict, the correlation analysis in Table 5.2 in Chapter 5 shows that there is a negative relationship between both forms of conflict. This result supports the argument of the negative insignificant impact of cognitive conflict on trust. As for the potential curvilinear relationship between trust and cognitive conflict, this relationship was tested for and was found to be insignificant as it was found when testing the linear relationship between both variables. The moderating effects of board meeting frequency and board tenure were also tested for in the curvilinear relationship between cognitive conflict and trust and both variables were found neither to strengthen nor weaken the curvilinear relationship between cognitive conflict and trust.

6.6 Determinants of Trust: Communication Efficacy



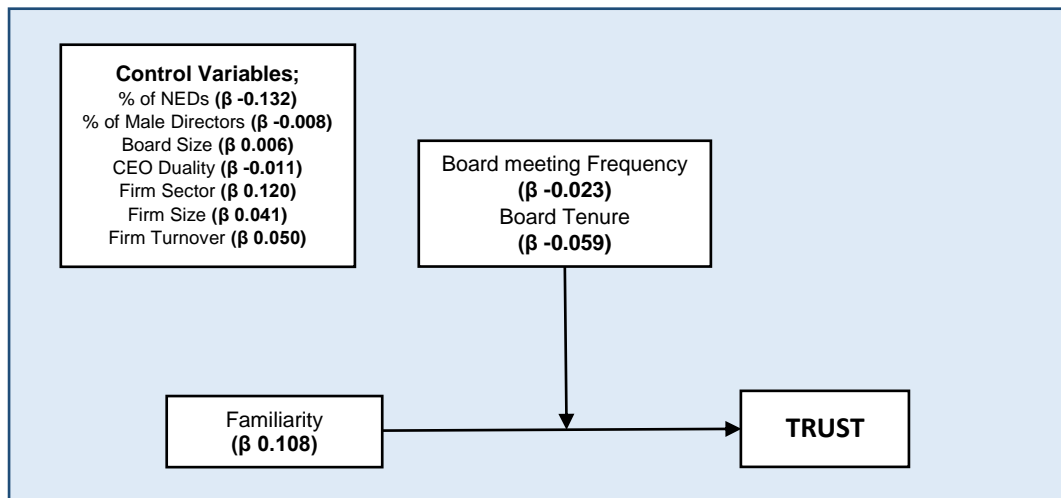
*Note: ** and * indicate significant levels of 0.01 and 0.05 respectively*

Figure 6.4: Model of the Relationship between Trust and Communication Efficacy

The impact of communication has commonly been found to positively impact on team/relationship commitment and trust (Park, Lee, Lee, and Truex, 2012; Sharma and Patterson, 1999). Cullen et al. (2000) and Chu and Fang (2006) found that when communication is succinct and directed, it becomes an important factor in building and sustaining commitment and trust in teams. In this study, in a similar way, communication efficacy was hypothesised to lead to trust based on the premise that it is frequent and task-related (Iacona and Weisband, 1997; Ishaya and Macaulay, 1999; Jarvenpaa and Leidner, 1997). The result in this study regarding this hypothesis contrasts with the findings of previous studies and the formulated hypothesis. As reported in Figure 6.4 and depicted by the β value of 0.038, an insignificant relationship between communication efficacy and trust was established. Apart from the small impact of communication efficacy on trust, the moderating impacts of board meeting frequency and tenure was similarly found to be insignificant. In the context of boards, researchers have noted certain board characteristics that could impact on the relationship between communication and trust. Factors that were identified include the balance of power between the CEO and the directors (Holmstrom, 2005), excessive monitoring or higher proportion of outside directors (Ferreira, 2007; Harris and Raviv, 2006), CEO duality (Brickley, Coles, and Jarrell, 1997), and board size (Bainbridge, 2002; Jensen, 1993; Lipton and Lorsch, 1992). These factors identified were

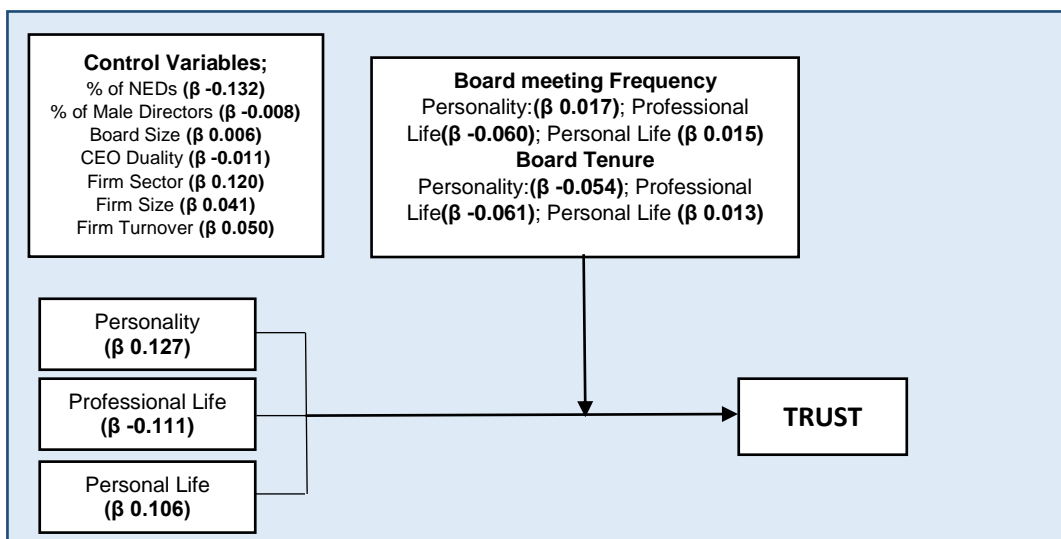
controlled in the analysis of the relationship of communication efficacy and trust. The impact of communication efficacy was still found to be insignificant. Where communication can logically be hypothesised to lead to trust, the possible explanation for the reported insignificant impact can be found in Vafeas (1999) and Jensen (1999). Where task focused communication in the boardroom could lead to trust (Adams and Ferreira, 2007; Iacona and Weisband, 1997; Ishaya and Macaulay, 1999; Jarvenpaa and Leidner, 1997; Song and Thakor, 2006), Vafeas (1999) argued that occasions when board members have to communicate are not necessarily productive. This issue is because interactions in the boardroom are usually based on previously set agendas (Jensen, 1993). Such routine tasks limit the efficacy of communication and make it unnecessary to reflect trust during such interaction in the boardroom. This explains the reported insignificant relationship between communication efficacy and trust in the boardroom.

6.7 Determinants of Trust: Familiarity



Note: ** and * indicate significant levels of 0.01 and 0.05 respectively

Figure 6.5: Model of the Relationship between Trust and Familiarity



Note: ** and * indicate significant levels of 0.01 and 0.05 respectively

Figure 6.6: Model of the Relationship between Trust and Familiarity: Personality, Personal life, and Professional Life

In this research, the presence of familiarity in the boardroom is based on the premise that board members engage in a long-term relationship and have acquired cumulative knowledge over the years about each other in a way that satisfies their socio-psychological needs (Gefen, 2000; Gulati, 1995; Majchzak et al., 2005; Sluss and Ashforth,

2008). Due to the extended period of familiarity, board members are more inclined to express homophilic trust in the boardroom (Gualti and Sytch, 2008). It was also hypothesised that board tenure and meeting frequency would positively moderate the relationship between familiarity and trust as it gives members the opportunity to gather affective-based knowledge about each other. Despite available empirical evidence that supports these premise (Bulu and Yildirim, 2008; Crisp and Jarvenpaa, 2000; Kayworth and Leidner, 2000), the result of this research shows that familiarity does not explain board trust. As reported in Figure 6.5, the insignificant relationship between familiarity and trust is represented by the β value of 0.108. When familiarity was treated as a subdivision of 3 constructs of personality, professional life, and personal life, these too were not found to be explaining trust. This was depicted by their insignificant β values. As reported in Figure 6.6, personality had a β value of 0.127, professional life had a β of -0.111, and personal life had a β of 0.106. Regarding the interaction effects of board tenure and meeting frequency, these too had an insignificant impact on the relationship between familiarity and trust as depicted by the β values of -0.023 and -0.059 respectively. Table 6.6 similarly reported that when board meeting frequency and board meeting tenure moderated the relationship between trust and the levels of familiarity, the variables neither strengthened nor weakened the relationship. Despite that fact that the presence of board familiarity is desirable for trust building in teams such as boards (Gualti and Sytch, 2008), the finding of this research contradicts this view by presenting evidence of an insignificant relationship. Other researchers have found familiarity to adversely threaten trust. For example, in Hassel's (1999: 191) research, the impact of familiarity is described as 'trust threats'. When Hussey (1999) considered the impact of familiarity in board relationships in the light of the duration of team members' appointment and the frequency of contact (measured by board tenure and meeting frequency in this research), none of these contributed to the impact of familiarity. Although it is useful to note that Hussey's research tested the impact on familiarity on auditor independence or outside directors, not on trust. This research introduces new knowledge and buttresses the research of scholars such as Hussey (1999) that familiarity does not lead

to trust in the context of boards. However, further research is required to understand the nature of familiarity amongst board members.

6.8 Contribution to Knowledge: Implications for Theory and Board Practice

This section summarises the academic and practical contribution of this study to what is already known about board behaviour. This thesis carries on research on the behavioural approach to boards and board processes. As a new way of theorising on corporate boards, the behavioural approach to corporate boards has shown that board processes are more significant than structural variables in explaining board effectiveness (e.g. Minichilli et al., 2012; Zona and Zattoni, 2007; Zattoni, Gnan, and Huse, 2015). Empirical research within this research domain has found that certain board processes facilitate the carrying out of certain board tasks effectively while board task performance is commonly used to proxy for board effectiveness (e.g. Heemskerk et al., 2014; Simons and Peterson, 2000; Mooney et al., 2007; Zattoni et al., 2015). The research on the link between board processes and board task performance has dominated research on the behavioural approach to boards. While a majority of studies within this stream of research have considered the causal relationship between board processes and board task performance, fewer studies have considered how board processes are triggered in the boardroom. This study mainly aims at igniting further research on the determinants of board processes in the boardroom by responding to the call for research by scholars such as Farquhar (2011). Following Forbes and Milliken's (1999) model, this study reviewed the commonly investigated board processes by identifying their potential determinants (see Chapter 2). The determinants of board processes identified in this review were based on previous research on teams, top management teams, and boards. By applying team and board constructs to this research, more attention was given to trust in the boardroom. Trust is an example of an under-researched board process in the behavioural approach to boards. The relevance of trust as a board process cannot be over-emphasised when examining other board processes (Huse, 2005; Van Ees et al., 2008), social and professional relationships (Brundin

and Nordqvist, 2004), board effectiveness and creation of firm value (Camerer, 2003; Kramer and Tyler, 1996; Markova, 2004), and healthy interrelational dynamics in the boardroom (Migliore and DeClouette, 2011). Previous studies that have investigated trust have mostly done so in the context of teams at an interpersonal level (see Colquitt et al., 2007; Cook and Wall, 1980; Butler, 1991; Mayer et al., 1995; McAllister, 1995). This study examined trust as a team level construct in the context of corporate boards by distinguishing its cognitive and affective determinants (see Figure 3.1). Therefore, by choosing to examine trust as a team level construct, this study's primary contribution to academic knowledge is the identification of the determinants of trust in the boardroom. The outcome of this study found that the perception of board members' competence and board affective conflict are the main determinants of trust. Where the perception of board members' competence determines the cognitive dimension of trust, affective conflict ignites the affective dimension of trust.

The perception of board members' competence was found to explain cognitive trust significantly. The supported premise of the hypothesised causal relationship is that boards require a broad range of skills and competencies to carry out their tasks effectively (Qian, 2012). When board members are aware of each others' competencies, they are compelled to invest in a cognitive form of trust, confident in each others' abilities in the boardroom (Colquitt et al., 2007; Gabarro, 1978; Mayer et al., 1995; Qian, 2012; Zand, 1972). This conclusion supports Parayitam and Dooley's (2009) findings that trust among executives is dependent on the presence and the perception of competencies. The finding of this research has implication on the boards' composition and why members should engage in activities that enhance their capabilities. Such activities should include training that improves their skills in the boardroom and evaluation of each others' competencies.

Regarding board composition, a higher level of professional or competence diversity is required in the boardroom. According to Minichilli, Zattoni, and Zona (2009), boardroom skills, competence, or knowledge-based diversity produces positive cognitive

outputs because it increases the likelihood of creative and innovative solutions to problems. As established in this study, an example of such cognitive output is trust. Therefore, when appointing board members, their capabilities or competencies should be taken into consideration to foster trust in the boardroom. This conclusion is consistent with Biggins (1999) who stated that the appointment of board members should be based on the belief that these individuals have the expertise to provide a high-level of advice and that they are better equipped to understand the challenges and performance evaluation of executives. Also, board evaluation, development, and training can also increase awareness in members' competencies in the boardroom, hence their decision to trust. According to Foster-Back (2005), competence is vital to reinforcing trust. Although it should be borne in mind that all directors should possess a minimum level of core competence, nevertheless, individual directors should be matched against a set of desirable competence requirements depending on the extent of openness and trust (Coulson-Thomas, 2009). When members observe certain deficiencies among themselves due to certain weaknesses in the structure or operation of the board, it impedes confidence in the boardroom. Therefore, the training and development of the boardroom team should be prioritised. The development of the board in order to build and maintain competent and strong members entails a range of activities (Coulson-Thomas, 2009; Lee and Phan, 2000; Metz, 1998; Watson, 2004; Weisman, 2003). These activities include careful recruiting and selection, training and preparing, performance evaluation, and removing of incompetent board members (Brown, 2007; Coulson-Thomas, 2009; Daily and Dalton, 2004; Larcker, Miles, Griffin, and Tayan, 2016; Lee and Phan, 2000; Watson, 2004). According to Van Den Berghe and Levrau (2004), the training, development, and evaluation of the board - such as using the highlighted measures in the previous sentence - should be carried out at least annually. When these measures are carefully executed to ensure the presence and awareness of competence in the boardroom, this will enhance boardroom trust at a cognitive level.

As for affective conflict, this determinant is commonly portrayed as a board process having an emotional and dysfunctional impact on outcomes in groups, teams, and boards (e.g. Brief and Weiss, 2002; Farh, Lee, and Farh, 2010; Farquhar, 2011; De Dreu and Weingart, 2003; Gladstein, 1984; Heemskerk et al., 2015; Langfred, 2007; Li and Hambrick, 2005; Wall and Nolan, 1986). Affective conflict was found to have an adverse impact on trust when allowed to permeate the boardroom. As affective conflict was treated as a determinant of trust in this research as opposed to a board processes (Ong and Wan, 2005; Farquhar, 2011; Heemskerk et al., 2015), the results show that processes do not necessarily work 'side by side', rather that they can influence each other. Based on the results of this study, affective conflict, a board process was found to be a determinant that can undermine trust in the boardroom. The presence of emotional conflict can affect how board members receive and interpret information and in turn impact on the level of trust (De Dreu, 2008; De Wit et al., 2012; Parayitam and Dooley, 2009). Also, board members willingly commit to emotional investments based on interpersonal relationships resulting from reciprocated trust (McAllister, 1995). When the interpersonal relationship between board members is damaged by emotional or affective conflict, boardroom trust is extinguished. The empirical evidence in this study supports this argument of a negative relationship between affective conflict and trust. In line with previous studies that has established the negative impacts of affective conflict on performance outcomes (Ong and Wan, 2005; Farquhar, 2011; Heemskerk et al., 2015), this study includes trust in one of those negative outcomes.

The implication of this finding to board practice is that interaction in the boardroom should be in such a way that members' trust is undamaged through interpersonal relationship or emotional conflict. This responsibility largely rests on the chairperson of the board. This is because chairpersons are commonly appointed based on peer respect, professional knowledge, and demonstrated commitment (Bader, 2012). Therefore, reducing affective conflict in the boardroom will require less effort from the chairperson. Research also suggests that the adverse effects of affective conflict can be lessened under certain

conditions (De Wit, Jehn, and Greer, 2012). For example, researchers have found that affective conflict is less likely to negatively affect both proximal and distal group outcomes when an effective management strategy is put in place (De Dreu and Van Vianen, 2001; Jehn, 1997; Murnighan and Conlon, 1991; Tekleab et al., 2009) and when low emotionality surrounding affective conflict is discouraged in the boardroom (Jehn et al., 2008). The literature agrees that affective conflict within boards has a dysfunctional impact on outcomes (Amason, 1996; Eisenhardt and Bourgeois, 1988; Jehn, 1995; Jehn, 1997; Dawes and Massey, 2005; Pondy, 1967; Zona and Zattoni, 2007). This research contributes and further validates how board affective conflict is perceived in the boardroom regarding its negative consequences. However, it is useful to note that avoiding this form of conflict paradoxically could hinder good governance (Heemskerk, Heemskerk, and Wats, 2016).

This research has also contributed to the knowledge regarding the impact of communication in the boardroom. Other researchers have treated communication as an affective construct at an interpersonal level, and have found it to facilitate emotional trust within teams and workgroups (Hofhuis, Van der Rijt and Vlug, 2016). Researchers such as Edmondson (1999) and Singh et al. (2013) found that when members feel psychologically safe when communicating with their team members, they are more inclined to cultivate affective trust. This put team members at ease when engaging in a flow of interaction or communication with members (Van Oortmerssen et al., 2014). In a different approach, this study treated communication as a team construct, a cognitive determinant of trust. As opposed to the established link between communication and trust within teams, this research shows that this is not the case with corporate boards. Based on this finding, one could conclude that irrespective of how often, task focused, and effective board members' communications are, trust in board boardroom cannot be guaranteed on this premise. Despite the outcome of communication in this research, this study still acknowledges the importance of communication. Studies that have examined the impact communication in the context of boards have shown that communication is closely linked to trust. For example,

Pearsall, Ellis, and Evans (2008) stated that fractures in communication could inhibit essential processes such as trust. After establishing that communication reflects the building of trust, Walton (2011) found that when effective and frequent communication between board members is absent, this festers distrust in the boardroom. Irrespective of the fact that no significant relationship was found between communication efficacy and trust, it is imperative for members to engage in communication that abets cognitive outcomes in the boardroom (Jarvenpaa and Leidner, 1999; Iacono and Weisband, 1997; Ishaya and Macaulay, 1999; Walton, 2011; Van Oortmerssen et al., 2014).

As for cognitive conflict, there is an overwhelming amount of literature that has found that this variable facilitates positive board and team outcomes, especially on board task performance (De Dreu and Weingart, 2003; Eisenhardt et al., 1997; Finkelstein and Mooney, 2003; Johnson and Grayson, 2005; Zona and Zattoni, 2007; Zona, 2016). Similarly, it was hypothesised in this research that cognitive conflict positively enhances trust as a cognitive outcome in the boardroom. Contradictorily, the empirical finding of this research shows that this is not the case with the building of trust in the boardroom. Apart from not having a significant impact on trust, the negligible impact of cognitive conflict on trust was found to be adverse. This study associated the negative consequences of cognitive conflict to emotional or affective conflict (Amason, 1996; Amason and Sapienza, 1997; Jehn, 1995; Jehn and Bendersky, 2003; Mooney et al., 2007; Pelled, 1996; Simons and Peterson, 2000; Yang and Mossholder, 2004). Apart from the fact that extensive engagement in cognitive conflict does not guarantee trust, cognitive conflict could escalate into emotional conflict and negatively affect trust. Coetzer (2015) described this as the limit to cognitive conflict when considering board members' decision quality and decision commitments. In line with this, Parayitam and Dooley (2011) described the relationship between cognitive conflict and outcomes to be curvilinear. This implies that cognitive conflict will continue to lead to a positive outcome until a breakeven point when it spirals out of control into a negative or emotional conflict. When board members engage in too much conflict, irrespective of it being

cognitive, such conflict may be interpreted by members as a personal attack on their capabilities or knowledge. In turn, cognitive conflict triggers an emotional rift amongst board members as they argue between themselves whose ideas and methods are superior. Similarly, Simons and Peterson (2000) found that teams that experience higher levels of cognitive conflict are more susceptible to higher levels affective conflict. As cognitive conflict intensifies, board members are victims of misattributions as they use harsh, emotional, hurtful, and aggressive tactics to convince other board members about their viewpoints (Coetzer, 2015; De Dreu, 2006; Jehn, 1995; Parayitam and Dooley, 2009; Ross and Ross, 1989). This form of cognitive conflict damages the relationship between board members, lowering both affective and cognitive trust. The implication of this to boards is that when engaging in interaction or in task focused debates, especially during meetings, members should ensure that such debates do not escalate into relationship conflict. However, it is useful to note that even when cognitive conflict escalates into a negative emotional conflict, its impact on trust is not significant.

Some researchers have investigated familiarity as a cognitive determinant of team outcomes (e.g. Gulati et al., 2003; Komiak and Benbasat, 2006; Littlepage et al., 1997). In these studies, familiarity in teams was measured by the knowledge team members have acquired about each other over an extended period of interaction. This study has treated familiarity differently by adopting Hanft's (2002) measure of familiarity. Familiarity was treated as an affective determinant, suggesting that if board members share similar interests beyond their professional interaction, an affective form of trust could emerge in the boardroom. Their interests in each others' professional life, personalities, and personal life were used to capture this form of familiarity. The reason for adopting Hanft's method was to avoid the limitations of previous research on team familiarity. Prior studies regarding team familiarity have conducted their research using concocted groups in a laboratory setting, ignoring the composition effects of actual organisational teams (Campion et al., 1993; Maynard, 2007). Therefore, this study, instead of using the commonly used measure of the history of past

interaction to measure familiarity, board members' interpersonal knowledge of each other was adopted. Using a similar method in measuring familiarity, Maynard (2007) found that familiarity had no direct effect on teams' performances. The current study has tested an affective form of board familiarity on trust and has similarly been found that it had no significance.

How familiarity has been conceptualised and measured in this research contributes significantly to the literature on boards mainly in two ways. First, just as Maynard's (2007) research has responded to the call for distinguishing between an affective and cognitive form of familiarity in Rockett and Okhuysen (2002), this study has treated familiarity as an affective variable as opposed to prior research. Second, while Maynard (2007) examined familiarity using a psychometric measure in the context of teams, this research similarly considered familiarity in the context of the board. However, it is useful to call to mind that Maynard (2007) investigated its impact on team performance while this study examined its impact on trust. Apart from the scanty research on familiarity in the context of boards, this study has similarly introduced a more detailed form of how familiarity could be perceived in the boardroom. By testing the variables as a determinant of trust, this study's findings also contributes to academic knowledge in that there is no significant relationship between familiarity amongst board members and trust in the boardroom. The implication of this finding on board practices is that while familiarity is encouraged within teams for the purpose of trust building (Gulati and Sytch, 2008; Jarvenpaa and Leidner, 1998; Komiak and Benbasat, 2006; Wilson, Straus, and McEvily, 2006; Zhang, Ghorbani, and Cohen, 2007), this does not apply to the boardroom. Contrary to what was hypothesised in this study, Maynard (2007) evidenced that the presence of overfamiliarity within teams could dampen the positive impact it could have on team outcome. Since familiarity is not in itself bad in the boardroom as shown by the positive insignificant relationship to trust, board members should avoid over-familiarity in the boardroom. Since trust has been found to lead to board performance, overfamiliarity in the boardroom could weaken board performance which could

be interpreted as a weakened trust. Although it is important to flag that the interaction effect of trust between familiarity and board performance was not tested in this research.

6.9 Summary of Chapter 6

There are a number of new contributions this research makes to knowledge on boards of directors. First, there are two key determinants of boardroom trust: perception of board members' competences which has a positive relationship and affective conflict which has a negative relationship. Second, this study has also introduced new or refined existing behavioural concepts in boards such as board communication (Farquhar, 2011), board members' familiarity, and perception of board members' competences. These concepts have been under-researched in the context of boards. Although this research has extensively investigated these variables, it has provided partial understanding on how these concepts impact on trust. This research also adds to board literature regarding these variables. Third, board processes can influence each other as found with the impact of affective conflict on trust.

CHAPTER 7

CONCLUSION AND SUMMARY

7.1 Introduction

This chapter summarises the research process, the main research findings, the contribution to knowledge in the light of the research objectives, and discusses the limitations of this study. Aspects not covered in this study that require further research will also be presented. The subsequent sections of this chapter are structured as follows: 7.2 is the research conclusion; 7.3 is the summary of contribution to knowledge; 7.4 discusses the limitation of this research; 7.5 is the recommendation for future research, and 7.6 presents the final summary.

7.2 Research Conclusion

The underlying question this research aimed to answer was 'What cognitive and affective factors influence the presence of trust in boards?'. Other objectives of this research related to this question are to: (1) develop a conceptual of the cognitive and affective determinants of trust in boards; (2) empirically test the conceptual model of the relationship between trust and its determinants; (3) to derive the implication for theory and practice based on the outcome of the empirical testing. To achieve the first research objective, a detailed review of the literature on the behavioural perspectives on boards within which this thesis contributes knowledge was carried out. In the review, two main strands of literature within behavioural perspectives were identified. The first is the behavioural theory of boards, which was derived from the application of the behavioural theory of the firm to boards as developed by van Ees et al. (2009b). The second strand was strongly influenced by Forbes and Milliken's (1999) seminal paper regarding the mediating role of board processes in the relationship between board characteristics and board task/firm performance developed from the IPO model, derived from the team and small group literature. In the review of the behavioural perspectives on boards, this thesis placed more emphasis on the works of scholars that have picked up from Forbes and Milliken's (1999) paper by expanding and

testing hypotheses derived from IPO models in a variety of contextual settings (cf. Bettinelli, 2011; McNulty et al., 2013; Wan and Ong, 2005; Zattoni et al., 2015). The synopsis of the findings of these scholars is that board processes are better predictors of board task performance than board structural/compositional antecedents alone. Despite the considerable amount of knowledge on board behaviour and processes, there is still a call for a thorough understanding of the decision-making culture, interactions, and dynamics in the boardroom (Farquhar, 2011; Gabrielson and Huse, 2009; Huse, 2005, 2007; Nicholson and Kiel, 2004; Bailey and Peck, 2013; Bankewitz, 2016). Behavioural studies have treated processes as a mediator and were insufficiently considering determinants of these processes (Ong and Wan, 2005; Zattoni et al., 2015; Zona and Zattoni, 2007), including behavioural determinants. The review of the research on board processes led to the primary focus of this thesis which was to investigate the determinants of trust in boards. Trust was described as a condition that aids the understanding of the decision-making culture and dynamics in the boardroom (Bankewitz, 2016; Huse, 2005, 2007). Similarly, a number of scholars have placed great emphasis on the importance of trust as an underlying condition that enables boards to carry out their tasks more effectively (Huse, 2007; Stiles and Taylor, 2001; van Ees et al., 2009). In spite of this stated importance of trust to how boards function, very few empirical studies have examined trust in boards (Van Ees et al., 2008; 2009a; Huse and Zattoni, 2008; Farquhar, 2011) and its determinants. Based on these reasons among others, this thesis investigated trust in the boardroom.

To investigate trust, a research model was developed, and the hypotheses showing the relationship between trust and its determinants were formulated. This model developed and tested a team level construct of trust in the boardroom, with cognitive determinants (cognitive conflict, the perception of board members' competence, communication efficacy), affective determinants (affective conflict, board members' familiarity) and moderators (board meeting frequency, board tenure). To test the relationship between trust and its determinants, a postal survey was administered to 905 boards of UK-listed companies. The items included

in the survey to test the model of relationship were developed from the review of board and team literature, and subjected to validity and reliability checks.

To accomplish the second objective of this research, an empirical test of the conceptual model of trust and its determinants was carried out, using regression analysis (see Chapter 5). The result of the analysis showed that the 2main determinants of trust are the perception of board memberscompetence and affective conflict (H2 and H4).

The third objective of this research was discussedin the previous chapter in Section 6.8 which is regarding the theoretical and practical implication of the findings of this research.A summary of these findings will be presented in 7.3 of this chapter. Also, the limitations of this research and recommendation for future research will be discussed in subsequent sections.

7.3 Summary of the Research and Contribution to Knowledge

The cognitive conflict of board members, how they perceive each other's competencies, their communication efficacy, affective conflict, and their familiarity levels were regressed to discover how they explain trust in the boardroom. In this research, the main contribution to knowledge is that there are2main determinants of trust in the boardroom. The first determinant is the perception of board members' competence at a cognitive level, whereas affective conflict is the second determinant of trust but at an affective level. Where affective conflict is negatively related to trust, the perception of board members' competence was found to impact on trust in the boardroom positively. The survey found that in responding boards, cognitive conflict and familiarity tended to be high, but that communication efficacy had room for improvement. Nevertheless, none of these were found to influence trust in the board.

Apart from focusing on trust in the boardroom, there are other significant contributions of this research to board literature. First, this study is a response to the call for

research from scholars regarding trigger factors to board processes (e.g. Farquhar, 2011; Huse, 2005; Minichilli et al., 2009; Pye and Pettigrew, 2005; Roberts et al., 2005). Thus, by investigating trust, this research intended to ignite further research on the determinants of board processes in a way that departs from the pattern found in board behaviour and board process literature which is dominated by the impact of board processes on board task performance. Second, board process literature has atomised board processes when examining how they impact on board performance. They have failed to consider the possibility of board processes triggering one another. What the result of this research shows is that processes do not necessarily work 'side by side', rather that they can influence each other. For example, the results of this study showed that affective conflict is a determinant of trust. Both affective conflict and trust are board processes. Also, it was found that affective conflict could undermine trust in the boardroom. Thus, the mixed findings, for example on the effects of affective conflict on board task performance (Ong and Wan, 2005; Farquhar, 2011; Heemskerk et al., 2015), may be explained by its effects on lowering board trust. Third, this study has also introduced new or refined existing behavioural concepts in boards' literature. These concepts are board communication efficacy (Farquhar, 2011), board members' familiarity, and perception of board members' competencies. The more notable one is how familiarity has been measured in this research. Familiarity has been measured as a behavioural concept more in the context of teams, and researchers have commonly used the number of years working together as a measurement of familiarity. The method of measuring familiarity has been refined overtime and is now treated as a multi-dimensional construct. At three levels (i.e. professional life, personal life, and personality), familiarity is tested using psychometric measures (Hanft, 2002; Maynard, 2007). This relatively new way of measuring familiarity was adopted into this research, making the first time familiarity is measure in the context of corporate boards either as a behavioural concept or using a psychometric measurement. Although this research has not carried out an in-depth investigation of these variables (i.e. familiarity, the perception of board members'

competence, and communication efficacy), it has provided partial knowledge regarding the impact it has on a board process such as trust.

7.4 Limitations of this Research

There are 5 main limitations to this research that should be identified. The first main limitation has to do with the relatively low response rate. This is a common limitation in board research because gathering data from boards is extraordinarily difficult and for this reason, many board researchers opt for archival data gathering techniques (Daily et al., 2003). With the low response rate, the sample size on which this research is based is relatively low, and it could stimulate skepticism about the extent of generalisability of the research. However, the response rate and sample size is not substantially lower than that in other board studies (e.g. Minichilli et al., 2009 = 15%; van Ees et al., 2009a = 10.5%). Furthermore, a check for non-response bias showed no significant disparity between the sample and the population. The second limitation of this research has to do with the type of board on which the findings of this research are based. The United Kingdom adopts a one-tier board system which includes both executive and non-executive directors. Whilst this was a helpful empirical setting to study trust and its determinants, it is nevertheless difficult to generalise the findings of this research to other countries such as Germany that adopt a 2-tier or a multiple tier board model. Further research could usefully test the developed model of trust and its determinants in other countries or in a cross-country study. The third limitation of this research has to do with the nature of this research. This research falls into the category of a cross-sectional study. A cross-sectional study is a research carried out based on data collated at a specific point in time. Thus, the research could only test for associations, and not make claims to causality. Longitudinal studies, or repeat surveys like the one done by Huse and colleagues (e.g. Machold et al., 2011), could test how sequences of processes evolve. The fourth limitation is related to how trust was conceptualised and modelled. This research has considered a team level construct of trust rather than how trust can be perceived in the boardroom at an interpersonal level. At an interpersonal level, there are

other conditions to trust such as consistency, discretion, loyalty, honesty, and integrity that were not included in the model of trust and its determinants (Butler, 1991; Butler, 1999; Gabarro, 1978, Ross and LaCroix, 1996). Moreover, trust is a complex construct with multi-dimensional casual and formal conditions at an interpersonal and intrateam level that deserves further investigation (Butler, 1999). The fifth limitation relates to the research method adopted in this research. This research has used the orthodox deductive method as there is no apriori reason found in board literature to use the alternative inductive method when examining trust in the boardroom. Using a quantitative research method, this study was able to identify 2 significant determinants of trust which are the perception of board members' competence and affective conflict. Adopting a qualitative method or a mixed method could enhance the understanding of how trust is triggered in the boardroom by its determinants, especially by those determinants found not to have a significant impact on trust.

7.5 Recommendations for Future Research

The limitations of this research discussed in the previous section have highlighted areas that require further research. First, the determinants of trust examined in this research are not exhaustive as trust is multi-dimensional and a complex concept (Butler, 1999). There are other determinants identified in a variety of contexts in team literature (e.g. interpersonal trust) that could also facilitate trust in the boardroom. This study has primarily focused on intra-team trust and has not considered other determinants identified in team literature to see if these determinants could vary the outcome of this research. Therefore, further research into the determinants of trust, particularly on an interpersonal level is recommended. Second, although this research has commenced the research into the determinants of board process, this study has not covered other board processes that require research regarding what triggers them in the boardroom. An example of such board processes are the use of knowledge and skills, effort norms, and cognitive and affective conflicts. Research into these other board porcesses in terms of their trigger factors could contribute to the further

understanding of what happens in the boardroom, board behaviours, and how board processes contribute to board effectiveness. Therefore, research that follows through from the findings of this research is recommended. Third, as identified in the previous section, one of the limitations of this research is that it has favoured the classical deductive method. Perhaps, the use of an alternative method or mixing methods could enhance the understanding of the relationship between trust and its determinants. As a recommendation for future research, using a qualitative method that brings the researcher even closer to the boardroom could help to empirically establish the impact of the proposed determinants of trust (i.e. familiarity, cognitive conflict, and communication efficacy) found to be insignificant in this study. Fourth, in Chapter 6, Section 6.5 Determinants of Trust: Cognitive Conflict, it was discussed that the possible explanation for the insignificant negative relationship between cognitive conflict and trust is the mitigating impact of affective conflict. It was also identified that it is beyond the scope of this research to examine the relationship between affective conflict and cognitive conflict. However, the result of the correlation analysis reported in Table 5.2 of Chapter 5 Data Analysis: Result and Findings, it was found that there is a significant negative correlation between affective and cognitive conflict. This highlights a potential area for future research. Team researchers have tested this relationship in teams, top management teams, and workgroups (Amason and Sapienza, 1997; Jehn et al., 1999; Mooney et al, 2007; Pelled et al., 1999; Simons and Peterson, 2000), others have examined the pivotal role of trust when considering the relationship between these two forms of trust (Simons and Peterson, 2000). There are no studies that have considered the relationship between cognitive and affective conflict in the context of boards to best of my knowledge. Therefore, examining 'the relationship between board cognitive and affective conflict while considering the key role of trust' is recommended as an area for future research. Fifth, as identified the introductory section of this thesis, researchers that have investigated board processes have often atomised them and not considered the inter-relationship between them. The finding of this research regarding the significant relationship between affective conflict and trust has established that research on board

processes should go beyond an isolative treatment, and should be considered with the possibility of cross-interaction between board processes. Therefore, this thesis recommends the investigation of the possible inter-relationship between other board processes as a potential area for future research.

7.6 Final Conclusion

This research has responded to the call for further research into the determinants of board processes. By investigating the determinants of trust, this study has made a useful contribution to the literature on board processes and board practices. Previous research has suggested that the board process trust is an imperative determinant of board effectiveness. As a contribution to behavioural perspectives on boards, this research found 2 significant determinants of the board process trust. These determinants are the perception of board members' competencies which was found to have a positive impact on trust, and the adverse impact of affective conflict on trust. By empirically unveiling what conditions in the boardroom facilitate trust, this research enhances understanding of how trust leads to board effectiveness. The findings of this research also have significant implications for board practices. The presence of trust in the boardroom is necessary for board effectiveness and for directors to achieve the required level of trust, the finding of this study identifies 2 significant factors that make this possible. First, directors need to engage in activities that enable members to perceive their competencies. Activities such as the training and development that augment the skills of board members would cognitively increase the level of trust board members have in the boardroom. Second, in order to increase trust in the boardroom at an affective level, the findings of this research show that affective conflicts need to be mitigated. The responsibility of reducing the occurrence of emotional conflict in the boardroom largely rests on the chairperson of the board. Board meetings should be moderated in a way that encourages a healthy interaction in the boardroom, hence, effectively managing affective conflicts.

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Appendices

Appendix 1

DETERMINANTS OF BOARD PROCESSES: TRUST IN THE BOARDROOM

Thank you for taking part in this survey. The purpose of this research is to investigate the determinants of trust in the boardroom. Previous research has suggested that 'trust' is an important determinant of board effectiveness. Examining the determinants of trust in the boardroom will enhance the understanding of what makes a board more effective. The study should also help in improving corporate governance.

This questionnaire will take no longer than 20 minutes to complete. Any information you provide will be treated in strictest confidence and will be used in a thesis leading to an award of doctor of philosophy. Only summaries and aggregate data will be included in the final report, and no individuals or organisations will be identified. All data will be collected and stored with regard to data protection laws.

If you require additional information, please do not hesitate to contact me at the following address:

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BOARD PRACTICES

In this section we are asking you for your perceptions regarding the practices of your board. There are no right or wrong answers, all we are interested in is gaining an understanding about the extent to which these practices do or do not exist in your organisation.

Instructions on filling in this section of the questionnaire

Please read each of the following statements carefully and tick (X) the number that corresponds to the extent to which your board is involved in the practices:

7 = Strongly Agree (Yes, the statement perfectly describes our board practices.)

6 = Agree (Yes, the statement describes our board practices.)

5 = Slightly Agree (Yes, but only to some extent does the statement describes our board practices.)

4 = Neither Agree nor disagree (I don't know.)

3 = Slightly Disagree (No, to some extent the statement does not describe our board practices.)

2 = Disagree (No, the statement does not describe our board practices.)

1 = Strongly Disagree (No, the statement does not describe our board practices at all.)

		Strongly Disagree		Neutral			Strongly Agree	
		①	②	③	④	⑤	⑥	⑦
1	There is considerable trust amongst members of the board	①	②	③	④	⑤	⑥	⑦
2	I know I can strongly depend on other board members	①	②	③	④	⑤	⑥	⑦
3	Other members of the board know they can rely on my full support	①	②	③	④	⑤	⑥	⑦
4	I trust all members on my board	①	②	③	④	⑤	⑥	⑦
5	Board members have complete trust in each other's level of competence	①	②	③	④	⑤	⑥	⑦
6	Board members operate with absolute integrity	①	②	③	④	⑤	⑥	⑦
7	Board members consider the viewpoints of other members	①	②	③	④	⑤	⑥	⑦
8	Decisions are arrived at amicably	①	②	③	④	⑤	⑥	⑦
9	Discussions are open and candid	①	②	③	④	⑤	⑥	⑦
10	The atmosphere on the board encourages critical thinking	①	②	③	④	⑤	⑥	⑦
11	Discussions at board meetings often result in a clear decision	①	②	③	④	⑤	⑥	⑦
12	It is common for the directors of this board to have differences of opinions	①	②	③	④	⑤	⑥	⑦
13	Board members are capable of performing their role	①	②	③	④	⑤	⑥	⑦
14	Board members are knowledgeable about the task that needs to be done	①	②	③	④	⑤	⑥	⑦

		Strongly Disagree		Neutral			Strongly Agree	
15	Board members are successful in the things they try to do	①	②	③	④	⑤	⑥	⑦
16	Board members are confident about the skills of other board members	①	②	③	④	⑤	⑥	⑦
17	Board members have specialized capabilities that can help to increase board performance	①	②	③	④	⑤	⑥	⑦
18	Board members are well qualified for the task of the board	①	②	③	④	⑤	⑥	⑦
19	Board members communicate frequently about tasks	①	②	③	④	⑤	⑥	⑦
20	Board members spend a lot of time discussing how tasks are to be completed	①	②	③	④	⑤	⑥	⑦
21	Board members are clear on how board tasks are to be accomplished	①	②	③	④	⑤	⑥	⑦
22	Board members are provided with a clear explanation of what each task involves	①	②	③	④	⑤	⑥	⑦
23	Board members understand how to perform their duties	①	②	③	④	⑤	⑥	⑦
24	There are personality clashes during the process of decision making in the boardroom	①	②	③	④	⑤	⑥	⑦
25	Board members do not get along very well	①	②	③	④	⑤	⑥	⑦
26	Board members are not ready to cooperate	①	②	③	④	⑤	⑥	⑦
27	At least one director disagrees with a decision made in the boardroom	①	②	③	④	⑤	⑥	⑦
28	Emotional conflict is often evident on this board	①	②	③	④	⑤	⑥	⑦
29	Anger occurs amongst some members of the board at most meetings	①	②	③	④	⑤	⑥	⑦
30	There is rarely any personal friction between directors at the board meeting	①	②	③	④	⑤	⑥	⑦
31	Our board is involved in making proposals on the company's long term strategies and main goals	①	②	③	④	⑤	⑥	⑦
32	Our board is involved in taking decisions on the company's long term strategies and goals	①	②	③	④	⑤	⑥	⑦
33	Our board is involved in putting decisions on the company's long term strategies and main goals into action	①	②	③	④	⑤	⑥	⑦
34	Our board is involved in controlling the follow-up of decisions on the company's long-term strategies	①	②	③	④	⑤	⑥	⑦
35	Board members monitor top management's decisions and decision-making	①	②	③	④	⑤	⑥	⑦
36	Board members evaluate the performance of top executives	①	②	③	④	⑤	⑥	⑦

		Strongly Disagree			Neutral			Strongly Agree
37	The board has an internal mechanism to evaluate firm performance yearly	①	②	③	④	⑤	⑥	⑦
38	Board members are formally evaluated by other board members	①	②	③	④	⑤	⑥	⑦
39	Board members analyse budget allocation versus performance	①	②	③	④	⑤	⑥	⑦
40	Board members require information showing progress against targets	①	②	③	④	⑤	⑥	⑦
41	Board members engage in succession planning for the CEO	①	②	③	④	⑤	⑥	⑦
42	Board members contribute with advice on legal and technical accounting issues	①	②	③	④	⑤	⑥	⑦
43	Board members contribute with advice on financial issues (internal financing and investment)	①	②	③	④	⑤	⑥	⑦
44	Board members contribute with advice on technical issues (i.e. both production and information technology)	①	②	③	④	⑤	⑥	⑦
45	Board members contribute with advice on marketing issues	①	②	③	④	⑤	⑥	⑦
46	Our board and its board members act as mentors for the CEO and the firm	①	②	③	④	⑤	⑥	⑦
47	Board members contribute to building networks	①	②	③	④	⑤	⑥	⑦
48	Board members contribute to lobbying and building legitimacy	①	②	③	④	⑤	⑥	⑦
49	The company and the board often take advantage of the board members' networks to gather information/intelligence and advice	①	②	③	④	⑤	⑥	⑦
50	Our board is involved in making decisions on the company's long term strategies and main goals	①	②	③	④	⑤	⑥	⑦

In this section, we are asking about the extent to which you are familiar with other board members. There are no right or wrong answers; all we are interested in is gaining an understanding about the extent to which board members are familiar with each other's professional life, personal life, and personalities.

Instruction on filling in this section of the questionnaire

Please read each attribute carefully and select the answer that corresponds with the extent to which you are familiar with other board members:

4 = To a Great Extent (Very familiar.)

3 = To a Reasonable Extent (Moderately familiar.)

2 = To a Limited Extent (Slightly familiar.)

1 = Not at all (Not at all familiar.)

		Not at All			To a Great Extent
1	Strength and Weaknesses	①	②	③	④
2	Competences	①	②	③	④
3	Reputation	①	②	③	④
4	Work Performance	①	②	③	④
5	Abilities	①	②	③	④
6	Values, Attitudes, and Beliefs	①	②	③	④
7	Likes and Dislikes	①	②	③	④
8	Background (i.e. Education, employment history, etc)	①	②	③	④
9	Hobbies	①	②	③	④
10	Family Situation (i.e. married, divorced, kids, etc)	①	②	③	④
11	Trustworthiness	①	②	③	④
12	Honesty	①	②	③	④
13	Conscientiousness	①	②	③	④
14	Dependability	①	②	③	④
15	Attention to details	①	②	③	④

INFORMATION ABOUT YOUR BOARD

In this section we ask some information about your board.

1	How many members are there on your board?	Please fill in the numbers of directors: <input type="text"/>
2	How many are non-executive directors?	Please fill in the numbers of: <input type="text"/> Non-executives
3	Is the Chairperson the same as the CEO?	<input type="checkbox"/> YES <input type="checkbox"/> NO (please tick)
4	How many of your board members are male?	Please fill in the numbers of: <input type="text"/> Male Directors
5	When was the latest appointment to the board?	Please fill in the numbers of months: <input type="text"/> Months
6	How many board meetings do you have in a year on an average?	Please fill in the numbers of: <input type="text"/> Board Meetings

INFORMATION ABOUT YOUR ORGANISATION

In this section we ask some information about your organisation.

1	Which of the following sectors does your company operate in?	<input type="checkbox"/> Construction <input type="checkbox"/> Manufacturing <input type="checkbox"/> Financial <input type="checkbox"/> Service (please tick)
2	What was the total number of your employees in the last financial year?	Please fill in the numbers: <input type="text"/>
3	What was your company's turnover for the last financial year?	Please fill in the value: £ <input type="text"/>

INFORMATION ABOUT YOURSELF

In this section, we ask some information about you. Answering this section is completely optional.

1	What is your gender?	<input type="checkbox"/> Male <input type="checkbox"/> Female
2	What is your position on the board?	Please tick which applies to you: <input type="checkbox"/> Executive <input type="checkbox"/> Non-Executive
3	How long have you served on the board of your company?	Please fill in the numbers: <div><div></div> Months</div>

Would you like to receive an executive summary of the research? If yes, please complete the following section:

I would like to receive an executive summary of the research at the following address: